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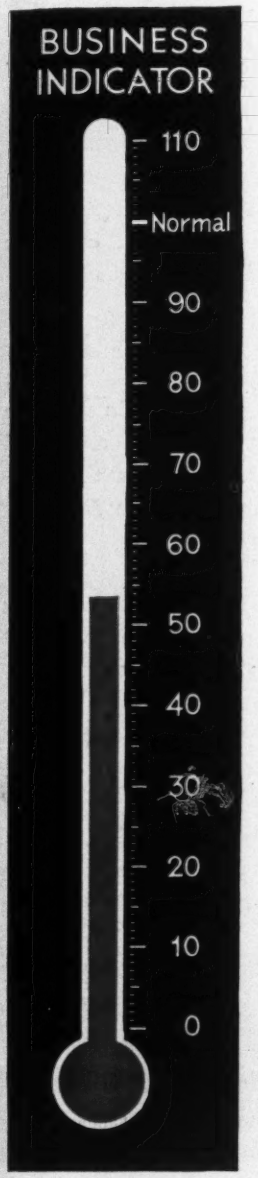
THE BUSINESS WEEK



The Ottawa Conference has ceased its futile bargaining for individual preferences, and thus opened the way for a broad discussion of trade barriers, which are among the chief remaining obstacles to world economic recovery. . . . Franco-American trade negotiations have already begun; Anglo-French parleys soon will commence—both designed to revive waning foreign commerce. . . . Commodity prices in Great Britain and the United States—principal producers of raw materials—continue to display strength and sustain the spreading better feeling. . . . Germany and the Far East are the dark spots abroad. The yen and Japanese bonds are suffering acutely from the war threat, but confidence persists that the present German government may overcome its political difficulties. . . . The gratifying strength of the domestic bond market may encourage the United States government to fund $1 billion of its huge short-term borrowings next month. . . . The return flow of gold has relieved the Federal Reserve of the need to press funds into the market, but the effort to stimulate credit expansion and employment continues to occupy the attention of the Administration. . . . Major business indicators continue to lag behind the rising security markets; slight gains in coal and electric power production and in carloadings partly offset the dullness in the steel industry and slack construction activity. . . . Currency circulation remains unchanged, in contrast to the usual seasonal expansion, while reporting banks give no hint of expanding credit.

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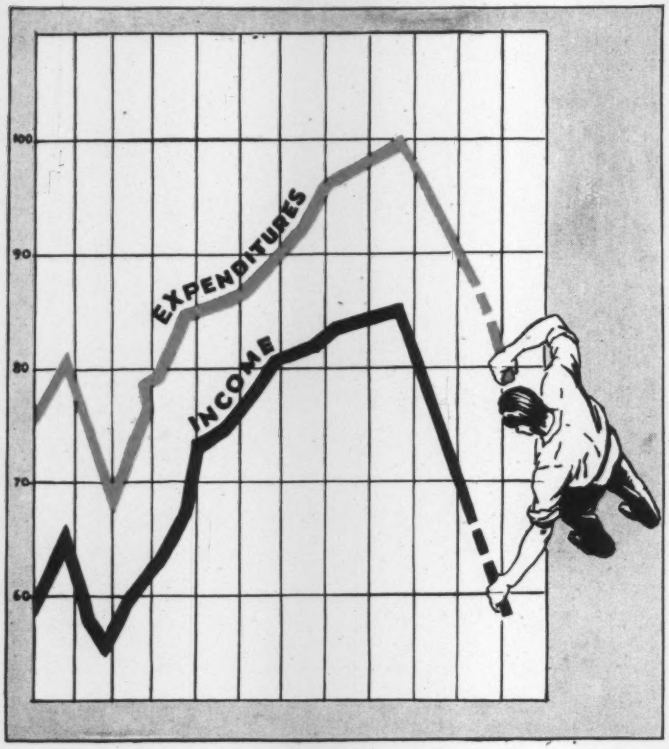
How does Mr. Consumer *make both ends meet?*



In this issue of *The Business Week*, the nineteenth article on "The American Consumer Market" reveals that the annual income of the American people is some sixteen billions less than the annual expenditure for consumer goods. This article explains part of that spread by showing that some four billions worth of "consumer goods" aren't bought by consumers.

But still that leaves twelve billions to be accounted for—twelve billions that Mr. Consumer spends each year but doesn't earn according to the estimated national income. Where does he get this money?

Consumer credit accounts for a good deal of it, of course. But that isn't all. How important is the factor of trade-ins—old cars, radios, sewing machines given in part payment of new purchases? What proportion of his expenditures does Mr. Consumer charge to his employer as "business expenses"? How greatly does non-recurring income—such as the sale of real estate and security holdings—increase his purchasing funds? How do odd-job earnings, sales-bribes, bonuses and illegal earnings enter the picture?

These important factors in consumer expenditure will, for the first time, be presented in a single study in the twentieth and final article in this series, in the September 7th issue of *The Business Week.*

If you have read the first nineteen articles, you needn't be told that this final article carries information no business man can afford to miss. If you haven't read the others, read this one—and you'll want all the back issues. For you'll realize that this study gives you sales information that no other study has even compiled. It presents *all* the expenditures of *all* the American people for *all* the years from 1919 through 1930.

THE BUSINESS WEEK

330 West Forty-Second Street — New York City

Where are the Consumer's Dollars Headed?

Next week *The Business Week* concludes its task of answering this vital question for America's business and industrial leaders.

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This Business Week:

Taxes

The noise of debate which arose while Congress was working out its revenue program is nothing compared to the loud squawks which have come since it became effective. Critics have plenty to yell about in the inequality of present taxes and the apparent inadequacy revealed by the recent Treasury report. But business in general fears the cure might be worse than the disease. *(p. 3)*

In Mississippi, a general sales tax, put on in preference to raising already over-burdened gasoline, has worked out better than expected. In Pennsylvania, to meet relief expenses, a 1% sales tax will be put on for 6 months only—unless (and this is the rub about sales taxes) legislators decide they still need easy money. *(p. 4)*

Oil

Producers have curtailed output; filling station prices generally have held up; but refiners between have accumulated bigger than seasonal gasoline stocks with the result that prices at the low-grade pumps are beginning to crack. The industry knows the cure, however: more and better prorationing, including the refiners. *(p. 7)*

Commodities

Organized at last, the new "C.F.C."—Commodities Finance Corp.—reveals usual banking conservatism. *(p. 6)*

Transport

Albany, always a center of waterways, has become an inland seaport. With its strategic location at the head of the Hudson and the foot of the barge canal from the Lakes, with the economy of its handling methods, it hopes to become a major port. *(p. 14)*

The railroads are proud of their efforts to find a better method of treating ties and boiler water. It is hoped their cooperative accomplishments technically will lead to closer cooperation economically. *(p. 11)*

Britain has solved the problem of truck competition for its railroads. Trucks may go ahead and compete, but on the same basis as the rails. They'll have to pay for the roads they use. *(p. 24)*

Housing

Congress specifically included limited-dividend housing projects among those to which the R.F.C. is authorized to loan funds. New York has $50 millions of such projects ready and state-approved. It is anxious to go ahead, so is the R.F.C. But there are many tangled questions to be cleared up first. *(p. 12)*

New Products

General Electric in this country and Dr. Holst in Holland both announce new gas-discharge electric lamps that are a considerable advance over the not-very-efficient incandescent filament. *(p. 15)*

General Electric offers, under the name Edison, a new, lower priced refrigerator, shorn, by the way, of the famous monitor top. *(p. 9)*

At last, a way to put galvanized protection over a rivet in structural steel work. *(p. 8)*

A British manufacturer introduces a process to make cotton and rayon goods "wrinkle-proof." *(p. 7)*

Marketing

Tire makers, selling casings at cost or less in June, planned to pass the new excise tax along to consumers, but plans slipped, and instead, they find themselves in a bitter price war. Advancing raw materials costs may help them out. *(p. 8)*

Figure it as you will, the American public spends more each year than it receives in wages and income according to Part 19 of The American Consumer Market. This is the "Paradox of Prosperity"; the explanation is complicated, but important. *(p. 16)*

Abolishing the dispenser's scoop, unsatisfactory to consumer and dealer alike, Borden's new ice cream for soda fountains comes in individual cylindrical portions. *(p. 9)*

Cleveland women painstakingly listed everything they had on pantry shelves, told where they bought the supplies, what they paid for them. *(p. 10)*

Foreign

Empire conferees at Ottawa accomplished something, indeed, but not half what enthusiasts had hoped. It may be the beginning of the development of a consistent policy. *(p. 5)*

Turkey is launched upon a 3-year plan of industrialization, financed by an Italian loan. Keen observers see a parallel between Mustapha Kemal's policies and the Soviets', but many Turks resent this inference. *(p. 18)*

Abroad, business feels better than the figures show. France, too, considers an "empire" conference. Germany is upset politically. Britain is encouraged by continued rise in commodities. In Japan and Brazil, the situation grows more tense. *(Survey, p. 25)*

Figures

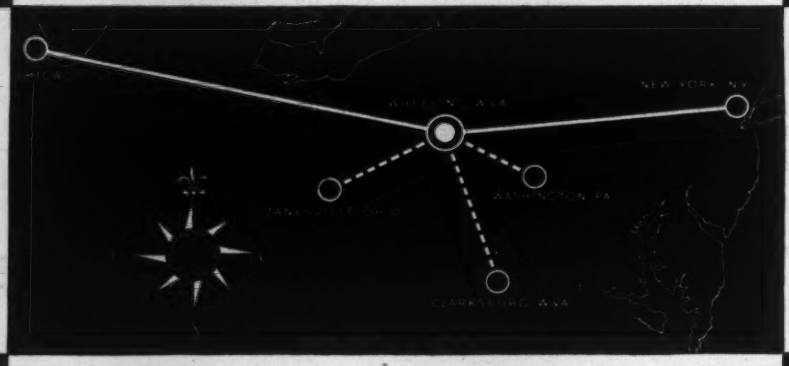
Steel consumers are not consuming just now, Detroit being on a vacation. Residential building declines; other construction in August fell below July. Increased construction activity awaits R.F.C. support. Coal and carloading gains are seasonal. Electric power expansion has no industrial significance. *(p. 28)*

In this issue:

"Paradox of Prosperity," Part 19, The American Consumer Market

TWO WAYS TO REDUCE COSTS

Hazel-Atlas Glass Company effects many operating economies by (1) *Long Distance* and (2) *Private Line Teletypewriter Service*



Key points are connected by Private Line Teletypewriter Service (shown by unbroken lines) and Private Line Telephone Service (broken lines).

The Vice President in Charge of Sales says: "These services speed up production by getting communications to their destination 24 hours faster."

SALES COSTS DOWN. Sales volume up. That's the story of certain companies in spite of general conditions. Bell System services are playing an important part in cutting expenses and building new business.

The Hazel-Atlas Glass Company is one of today's successful concerns. The Vice President says: "Sales costs have been noticeably reduced by reason of Teletypewriter Service. And a liberal use of Bell System services generally has been of material aid in holding up our volume of business."

The company's officials in Wheeling, W. Va., and in the district sales offices and plants from coast to coast keep in close touch with each other by *Long Distance*. The salesmen in the field also maintain frequent contact with customers by this same method — making appointments, quoting prices, discussing designs, arranging deliveries.

Private Line Teletypewriter Service—typing by wire—connects the headquarters and plants in Wheeling with sales offices in New York and Chicago. Messages, reports, and inquiries, typed in one office, are simultaneously received in identical form at the others.

Thus, the company saves many hours in all departments each day through use of the services. Operating and distribution costs are cut. The productive power of the entire organization is increased.

Bell System services are helping many companies to eliminate profit-eating operations. Best results are obtained from the *planned* use of telephone facilities. The Telephone Plan of Market Coverage can be adapted to the particular requirements of any company. Have a telephone representative prepare a money-saving adaptation of this plan for *your* company. You incur no obligation.

JUST CALL YOUR BELL TELEPHONE BUSINESS OFFICE

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending August 27, 1932

New Taxes Make Nobody Happy But Business Is Wary of Change

Critics who hope pick-up will lift special imposts fear substitutes might be worse, perhaps permanent

PUBLICATION last week-end of the Treasury's first report on the operation of the 1932 Revenue Act has given fresh impetus to the tax debate that had only begun when Congress closed its own discussion of the new levies and enacted its somewhat confused conclusions into law.

Perhaps debate is an inexact term since most of the subsequent talk has been on the side of the opposition and there are really 3 angles to that.

One group is interested mainly in the fact that this first Treasury report reveals wide discrepancies between estimates of what the levies would bring and the figures on what they actually are bringing. On superficial comparison, this group, which is beginning to voice opinions about "necessary changes" in the next Congress, has a good deal to talk about. The check tax revenues, most hopeful of the lot, were found to be coming in at only half the estimated rate of return. From there the ratio of realization to expectation dropped off until critics arrived at automobile tax receipts down to less than a sixteenth of the expected rate of collection.

Not a Fair Test

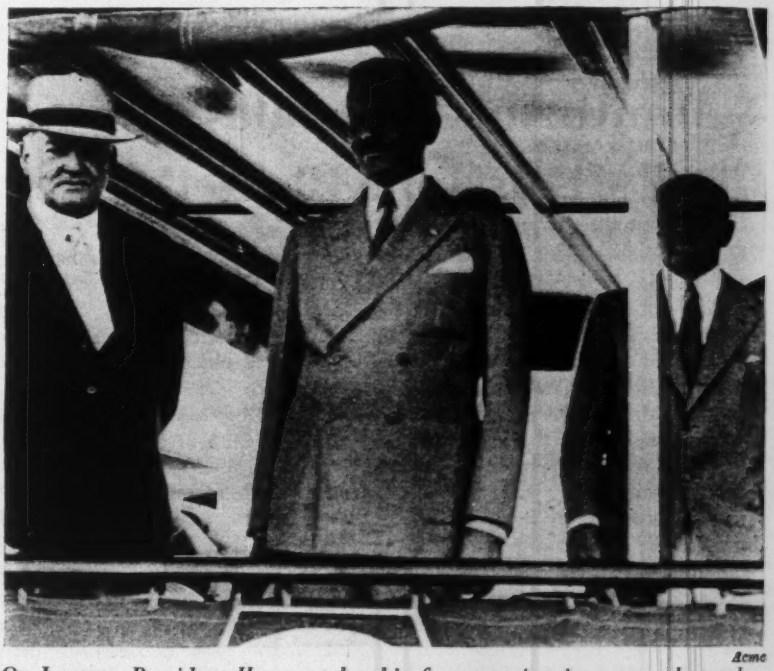
Further study indicates that deductions based on these premises may be premature. The July Treasury report covers only the last 9 days of June and what Washington calls "a dribble of current taxes during July." Tax experts await August reports covering complete July payments as the first upon which fair estimates can be made of the probable yield for the year. They think that heavy June buying in advance of the impost date may have resulted in a lull during the period so far reported.

Nevertheless, deductions are being made and there has been a fresh burst of argument for a general manufacturers' sales tax such as was defeated in the last Congress. Latest recruit to take to the newspaper columns is Senator King, Democratic member of the Finance Committee, who opposed the sales tax last June but now thinks "this method of raising the needed additional revenue may have to be adopted."

The other 2 more vocal and probably more influential groups of tax debaters are made up of the business men who are carrying the burdens of the new imposts. One of them, comprised chiefly of the irate automobile manufacturers, is busily grooming its spokesmen to keep the necessity of readjustments before the public pending elections and the opening of the lame duck session of Congress. The other, no more satisfied, is willing to argue against particular levies or against the bill as a whole, but is inclined to postpone any immediate fight for relief. On the whole, this represents the predominant tendency among business men at the present time.

The theory is that, as soon as business starts upward, there will be a substantial increase in the corporation tax and in certain other taxes; that this will be followed very shortly by an increase in personal income taxes as bond interest payments are resumed and dividends again begin to trickle into stockholders' hands. Before that process went very far, it is argued, the need of the government for such a heavy levy would vanish, and relief might be expected. Especially as a rising stock market would produce fat profits to boost the total of income taxes.

Those who forecast this happy eventuation believe that, if the proper pressure is exerted on Congress, expendi-



Acme

ON LEAVE—*President Hoover takes his first vacation in a year, but takes with him the problem of turning that corner. Right, is Henry M. Robinson, the Colonel House of this administration, pictured for perhaps the first time with the President. Center, is Secretary of War Hurley*

tures might be held down so that there would be no need for substitutes for any of the taxes scheduled for repeal because of their especially burdensome nature. Whereas if repeal of such taxes should be obtained now by a vigorous fight on the part of the aggrieved business interests, something would have to be substituted for every dollar of this sort of relief. In that case, either the burden would merely be shifted to some other business lines, or else the rising sentiment for a sales tax might result in the adoption of that system.

A Permanent Substitute?

What most business men want, of course, is to have their own total of taxes cut. But even if the sales tax would lighten the present load they fear that its substitution at this time, after they have suffered the first shock of the special taxes and more or less gotten used to them, might turn out to be a permanent thing with Congress unable to resist the importunities of bonus seekers, pork barrel advocates, and job hunters if such an easy way of producing the revenue were provided. Whereas if they carry their burden for a while it may be permanently removed.

The automobile people do not agree with this contention at all. They may acknowledge its force for somebody else, but they feel that they are being strangled to death for the benefit of other lines of industry. They protest that they were singled out as was no other industry. And they make a strong argument that restoration of prosperity in their business would do more for general conditions and employment throughout the country than almost any other move.

Appointment of an automobile man as Secretary of Commerce in place of Lamont is regarded by the politically-minded as a sop to this industry. Some of the more cynical suggest that the motive for his appointment was to win campaign contributions from the motor manufacturers, always liberal givers in the past, but now much disgruntled.

The motor industry generally feels that it has gotten nothing it wanted from the government during the entire Hoover Administration. At the very beginning it ran up against that 25% tariff which most of its members feared would result in retaliatory moves by other countries that would destroy their export business.

In the meantime, the tax discussion is not going unheard in Washington, where the Administration still labors, or in the home fields where Congressmen train for the more serious election debates. It was touched upon lightly but significantly by Mr. Hoover in his acceptance speech. "Recent increases in revenues, while temporary, should be again examined, and if they tend to sap the vitality of industry, and thus retard employment, they must be revised." Industry, as noted, is not so sure that the remedy might not be worse than the disease.

4 Months of New Sales Tax Find Mississippi Pleased

IGNORING lack of precedent, Mississippi has a 2% sales tax on nearly all commodities. Effective May 1, the sales tax, adopted in preference to an increased and diverted gasoline tax, will bring in a half million dollars more per year than the estimated $2 millions.

Merchants organized an anti-sales tax association and spent no little time and money in attempting to sway Mississippi's legislature. Lawmakers were told that the sales tax would bankrupt retailers, out-of-state merchants would benefit, the cost of collection would be prohibitive, there was no precedent for such a step.

Since the sales tax has been in force, the anxiety of merchants has subsided. Growing numbers admit the tax to be the best way of meeting Mississippi's difficulties. Bankruptcies have not increased. The cost of collection has been cheap. The force of collectors for existing taxes on tobacco, malt, and so on was augmented by only a dozen men. No increase in the usual out-of-state buying has been noted. Mississippi has set a precedent.

Mississippi's till needed cash. Governor Connor and his legislature took care of the $8-million deficit of the previous administration by a bond issue. But Mississippi's current biennium budget called for $20 millions and only $15 millions were in sight. Two means of getting the needed revenue were proposed, the diversion of gas tax funds and a sales tax.

Taxes on motorists were already high. To increase and divert motor taxes would place an unfair burden on road users. The sales tax was adopted as a way of equitably distributing the cost of general government, of continuing road construction and therefore jobs.

The Mississippi experiment is being watched with deep interest.

Despite the unfairness to motorists and the reduction of road construction and jobs, states have been diverting gasoline tax and motor license fee funds to purposes unrelated to roads to meet situations like Mississippi's. This diversion in states has grown from $15 millions in 1930 and $20 millions in 1931 to an estimated $100 millions in 1932. Vehement protests against this class taxation for general government purposes are bringing lawmakers sleepless nights. The general sales tax might be a solution, but if states generally should adopt it, the federal government would find itself forestalled in a field of taxation which an increasing number in Congress feel the nation must use.

Pennsylvania Sales Tax 6-Month Relief Plan

THE demand for relief funds, made more urgent by refusal of a loan by the Reconstruction Finance Corp., has added Pennsylvania to the list of states experimenting with the sales tax. The legislature has just voted a 1% impost for 6 months on the gross business of all merchants dispensing tangible personal property, specifically excepting agricultural products sold directly by farmers. A return of $12 millions is expected.

Starting Sept. 1, a sum of $2 millions a month will be distributed among the counties on the ratio of their unemployed to normally employed residents. February will wind up the experiment unless the 1933 legislature finds it necessary and desirable to continue raising funds in this way.

R.F.C. Invited To a Gold Rush

FIFTY years ago, 500 concerns in California were sluicing gravel down banks with huge jets of water, and recovering gold from the heavier portion. The lighter sands washed away downstream, muddying the water and damaging farms. Embattled farmers got a court decision which wiped out an investment of $100 millions overnight.

Now there is vigorous effort to revive hydraulic mining. This time, the

Acme

BORROWERS NAMED—*Clerk of the House South Trimble, surrounded by newspapermen, makes the most of a publicity opportunity, reveals the names of institutions assisted by the Reconstruction Finance Corporation*

plan is to construct dams behind which the refuse waters can be impounded until they clarify. Proponents of the scheme want R.F.C. help, call this one of the "self-liquidating" projects specifically included in the purposes of the Relief Act. Available gold deposits are estimated at $1 billion.

Ottawa's Empire Trade Failure Is a World Trade Success

It may have been a conference to begin conferences leading eventually to renewed freedom of trade

OTTAWA (*Special Correspondence*)—Business is still mulling over, without any signs of excitement, the week-old results of the British empire conference at Ottawa. The United States is likely to lose some trade in Great Britain as well as in the dominions. It is estimated at an indefinite amount—probably around $75 millions. There is small worry in that for if the new pacts bring any revival of empire business, the whole world is bound to benefit in the recovery.

Economists take a broader view. Not since Briand sponsored his pan-Europe plan nearly 2 years ago has there been so important a meeting of nations to ease the flow of international trade. Yet nothing is more vital to any program which aims at world-wide economic recovery.

Ottawa's greatest success, from the world point of view, is its failure from the empire point of view. The $300 millions or more of empire business which will go to other members of the family instead of to outsiders, if conference pacts are ratified, is an insignificant amount of the total foreign business of Britain and the dominions. Long before the conference even convened, delegates had begun to realize that each dominion depended too much on world trade, too little on empire trade, to allow rash restrictions to be made.

The modest results of the conference include 12 pacts: one between Britain and each of the dominions, Newfoundland, and Southern Rhodesia, and 3 that Canada made with the Irish Free State, South Africa, and Southern Rhodesia, and the special agreements South Africa made with New Zealand and with Ireland.

Of major importance in the United Kingdom pacts is the promise to continue, beyond the 6 months' provisional period, the preference which London has granted to empire goods since tariffs were introduced.

Food Preferential

New, too, is the promise of Britain to admit eggs, poultry, butter, cheese, milk products, apples, pears and unwrought copper on a preference basis if they come from the empire. For the first 3 years, this will be accomplished by levying specific duties on these products coming from non-empire sources.

Also important: wheat from the empire will be given a 6¢-a-bushel preference.

Timber of all kinds is to go on the preference list, while outsiders will continue to pay a 10% duty.

Trade with state controlled competition (aimed especially at Soviet Russia), if it threatens to destroy empire industries, will be stopped.

These are the major adjustments under the new British agreements. Loopholes are so evident, however, that they cannot be ignored.

Loopholes Show Up

In the first place, all of the governments must ratify the accords. In London, since there is an overwhelming coalition government pledged to the object of the conference, it is likely that there will be no great difficulty. To protect itself from the objections of an electorate long accustomed to untaxed food, London delegates have provided that the empire preference on foods can apply only so long as the dominions are able to supply the market at the world price. Also, the concession to Canada to admit hams and bacons free is put on a quota basis. This leaves a big market with which to bargain with Denmark. The tobacco preference will operate only above a fixed minimum, since tobacco is taxed for revenue.

Canada shrewdly reserves the right to protect growing industry. Tariffs against United Kingdom products are to be allowed only to those industries "which are reasonably assured to sound opportunities for success." Canada is left to specify these industries.

And London only vaguely agrees to bar Soviet goods by agreeing to bar

imports from a foreign country where prices are unfairly low "because of state action."

Except for the food items listed above, which were added to Britain's duty list by the Ottawa meeting, Americans will not be much more affected in the United Kingdom market than they were when tariffs were first applied.

In Canada, they are likely to run into greater competition in certain textiles, and iron and steel lines. The Canadian concessions to the United Kingdom cover 220 items, but the exact schedules probably will not be published until the governments ratify the accord.

Small as the results are at Ottawa, they make definite tariff policies which, until now, have kept Britain and the dominions from renewing their commercial accords abroad, or from making new ones. Now, Britain is likely to start negotiations with Denmark and Argentina. London is principal backer of the plan for a world conference to meet as soon as possible and to consider the question of tariffs.

The real significance of Ottawa will be judged 3 or 4 years from now. It may prove to have been a starter for other conferences. France is already talking of one with her colonies. It may be the beginning of much wider empire bargaining, improbable as that seems now. Certainly it leaves the empire far freer to negotiate with foreign neighbors than observers 6 months ago anticipated.

Bank Support for Commodities Stays Within Banking Lines

THE long-heralded plan for a commodity pool to put up the prices of wheat, cotton, and other staples, possibly with the aid of government credit, has gone through the mills of Wall Street and come out as the Commodities Finance Corp., an alliance of New York banks to organize a market for their excess funds among commodity borrowers in sections of the country where banking troubles have made credit scarce or impossible to obtain. Highly reminiscent of the erstwhile National Credit Corp., particularly in the way that it has brought winged plans from Washington down to the solid banking earth of New York, this organization announces that it will buy no commodities, except to protect its loans, disclaims any intention of engaging in stabilizing ventures.

Not Over-Enthusiastic

It has been somewhat slow aborning and there were plentiful indications that the bankers were not over-enthusiastic about the proposals of Eugene Meyer, governor of the Federal Reserve Board, that machinery of this character be set up to support the price-raising efforts of the Administration's relief drive—particularly after prices had already moved up on advance news of these proposals.

However, if the setting up of such an organization along what are merely traditional banking lines and with funds of only $50 millions, instead of the magnificent totals that had been predicted, proves disappointing to critics, it should, nevertheless, help to stiffen prices and foster orderly marketing. Beyond that, it can serve an important purpose in fostering the orderly marketing of some of that $120 millions of excess reserves piled up in New York.

The argument is that reduction and dislocation of banking facilities in many parts of the country have made it difficult for would-be borrowers to get commodity loans from their local banks. Local banks that would, under normal conditions, give such borrowers acceptance credits and dispose of the bills in the open market have not found the market very open. And their clients have not appreciated the possibility of getting accommodation at New York, or have been reluctant to apply there for small commodity loans.

To Bridge the Gap

While what is undoubtedly to be known as the "C.F.C." will, in fact, duplicate services offered individually by its members, it will also facilitate and organize contacts between the metropolis and the commodity loan market—and the idea persists through many disappointments that such a move might exert a "psychological uplift."

Some bankers have been frank to say that they do not expect the C.F.C. and its subsidiary acceptance and financing corporations to do much business. But they suggest that its organization will encourage the reluctant outlying banks to engage in loan business on their own account—which may serve the purpose as far as the recovery motive is concerned. At all events, they have set up the machinery for use as necessary.

International News

AT OTTAWA—*Right Honorables sign and seal the trade treaties concluded at the conference. Accomplishments, for the empire, were less than anticipated—to the great relief of the rest of the world*

Oil Production Control Plans Must Include the Refiners

Rising supply and falling gas consumption signal price cracks as weak holders let stocks go

THE once flouted law of supply and demand is still in operation, and nowhere are its manifestations more visible than in oil.

That bold and vigorous industry, its strength unsapped by forces which have weakened older and presumably wiser businesses, is very well aware of that law.

It has seen overproduction drive crude prices down, and it has seen control and proration push them up again.

Now it is discovering that operation of the law extends all the way, from well to refiner to filling-station; that proration, to be fully effective in the filling-station price, must include the refiner.

Pump Price Held

In the long line from the well to the little red pump, all but major price fluctuations are absorbed. The retail price structure, whence comes the strength of the industry, has suffered little.

But refiners have proved to be the weak tank in the line. Uncontrolled, they have kept right on turning out gasoline, regardless of the example set by controlled crude, unmindful of the danger signals set by decreasing consumption.

Figures to measure this decline are necessarily late. They are gathered mainly from state tax compilations of reports from wholesalers and dealers. Latest available month is May. According to the American Petroleum Institute, which watches these figures for the benefit of the industry, gasoline sales in May, 1932, declined 9.59% from May, 1931.

Consumption Off

Only 4 states and the District of Columbia did better (it must have been the cherry blossoms). The other members of the Union suffered losses ranging from 0.21% in Massachusetts to 26.96% in Arkansas.

Which can mean only one thing: in spite of his passion for travel, George W. Consumer has been forced to stay home one day in ten, one sunny Sunday—to make it horribly definite—out of the ten summer Sundays which make up the peak selling season.

In spite of this decline—and the signs were visible long before the figures could prove it—refiners pumped gas into tanks already slopping over. Normally, June and July begin a seasonal decline in refinery stocks, but this year they rose above the volume of gasoline carried in 1931, and are still there.

Buyers Hold Off

Gasoline is like any other commodity: held in strong hands it is harmless, but in weak hands it is a constant menace. With buyers still sleeping off their spree of last June, when they bought to get under the new federal tax, even strong hands can get tired holding the bag of supply. And declining demand is on the side of the jobbers.

First to show the effects of this slop-over are the third-grade gasolines sold by the independents, who are ever quick to recognize an oversupply when they see it. Prices run about 2¢ below the corresponding grade at regular stations.

The big companies have attempted to meet this price by a reduction of 1¢ on the third-grade gas, relying on their reputations to make up for the other cent. But eventually they may have to go all the way.

Trading Down

That will bring up again a major merchandising problem. If the spread between the third and the regular and special grades becomes too great, the temptation for the consumer to step down increases, and the higher-priced and more profitable product suffers accordingly.

While somewhat dangerous, the industry understands the situation and knows the cure: curtailment of refinery output—backed, possibly, by further curtailment of crude. Refiners have been reluctant, but there is evidence that they are swinging into line. Any further curtailment of crude will hasten the movement by raising or, at least, stiffening prices.

Prospects of such action depend on the outcome of several crusades to bring production within consumption limits.

The most publicized of these is led by Thurman Hill in his capacity as secretary-treasurer of the Oil States Advisory Committee and member of the Kansas Public Service Commission. His is the "2,000,000 a day" program, which means a cut from present production levels of approximately 10%.

Another campaigner, not for the 2,000,000 a day program as such, but for the principle of balanced production and consumption is the able Amos L. Beaty, president of the American Petroleum Institute. Said he, in a letter to members:

"Many operators seem to have but little understanding of the importance of such balance at this time . . . if the industry can be made curtailment-conscious, the state commissions will have better support for their orders . . . will be able to hold down to a rate which will not result in waste, which is both conservation and common sense."

Wrinkle-Proofing Raises Cotton and Rayon Hopes

COTTON and rayon fabrics that will not wrinkle or crease are expected to appear on the American market this year. Dr. Kenneth Lee, chairman of the Tootal Broadhurst Lee Co. of Manchester, England, is reported to be making arrangements for manufacture in this country of the creaseless fabrics just introduced by his firm in the British market.

Experiments have been under way a long time in the Lee plant, but commercial production has just begun. Details of the process have not been announced, but textile experts believe a synthetic resin is used to impregnate the fibers of the cloth after it has been finished and dyed. The resins will not dissolve in the laundry; they are, of course, invisible; they make the individual fibers springy.

Dr. Lee, announcing the new product to his board of directors, made the further claim that the inexpensive process greatly increases the strength of rayon fabrics and their resistance to water.

American textile chemists have done a great deal of experimenting along the same lines, but no completely satisfactory process has resulted. The only way to minimize wrinkling up to now has been to put extra twist on the yarns, making a crepe-like goods.

Importance of wrinkle-resisting cotton and rayon goods is obvious. Textile manufacturers say that if Dr. Lee's product really does what is claimed for it, the development is one to be reckoned with seriously. Together with pre-

shrinking (*BW—Aug24'32*), it may give the public better cotton goods than ever before known. If cotton dresses and cotton shirts can be made proof against shrinkage and wrinkling, and rayon fabrics are made to stand laundering better and likewise resist wrinkling, the result might well be increased popularity for cotton and rayon at the expense of silk, wool and linen.

Tax Precipitates Tire Makers Into Bitter Price War

Rising costs of raw materials, however, may yet help out heavily stocked dealers

INCREASED tire prices announced when the federal excise tax became effective June 21 (*BW—Jun29'32*) have not materialized in actual practice; instead the tax levy has precipitated the industry into a bitter price war.

Tire prices were at record-breaking lows in June, entirely insufficient to give either producer or distributor a reasonable profit, and in some instances not covering actual costs of production. Important manufacturers therefore concluded that the new tax should be passed on to the consumer. They issued new price lists, effective as of the tax date, in which tax-inclusive prices were quoted. They assumed that other makers would do likewise and that the mail-order houses would announce tax-inclusive prices in their fall catalogues.

A Waiting Game

Firestone alone decided to wait until the mail-order houses had declared themselves and while waiting launched an intensive advertising campaign, quoting the pre-tax prices, so as to enable dealers to hold their business against the mail-order houses.

When the fall catalogues of the mail-order houses were announced, tire prices showed no change, but tire pages carried a clause that "because of impending federal taxes, prices are subject to change without notice."

Others Back Down

Unwilling to give the mail-order houses and Firestone so decided an advantage in price, manufacturers who had issued tax-inclusive prices have adopted various policies which in effect mean restoration of the former levels without actual withdrawal of the higher prices. The majority are billing all shipments at the high prices and subsequently issue credit memos for the difference. Some use the pre-tax prices for billing but issue price lists with the post-tax figures.

All manufacturers are facing the problem of helping their dealers carry the immense stocks which they accumulated at pre-tax prices in anticipation of a great wave of public buying which has but partly materialized.

Pre-tax shipments of tires and tubes were responsible for making June, 1932, a record breaker. Shipments totalling over 8¼ million casings were the highest ever recorded in a single month. Production practically equalled the 1931 record month, while the inventory of finished casings in the hands of manufacturers dropped from 7½ millions, or better than average for the last 2 years, to less than 4 millions, the lowest on record.

Leading dealers, although loaded far beyond normal capacity with inventory, still believe that their anticipated extra profit may yet be realized. Prices on crude rubber appear to be on the upgrade and cotton has climbed considerably. They argue that manufacturers soon will find it necessary to raise prices to offset those increases in the cost of raw materials. Some even predict the rise may come early in September, but manufacturers deny this.

Shifts in Buying

Meanwhile the war between manufacturers has caused some shifting in public buying. Particularly in the larger cities, dealers declare that the Firestone bombardment of advertisements has definitely increased the demand for his tires. In the rural districts, dealers say that some of the former buyers of mail-order tires have changed to other brands since Firestone has provided his dealers with cross-sections of his own as well as mail-order tires so that prospective buyers can make comparisons.

Goodyear dealers report that they have gained many new customers as a direct result of the trade-in proposition on old tires through the cooperation of the manufacturer.

General Tire & Rubber Co. broke all previous records for unit sales during the first 6 months of 1932, and as theirs is all replacement business, this increase is attributed strictly to the more aggressive and more intelligent sales effort of independent dealers.

Observers of the battle that has been waging between Firestone and the mail-order houses are wondering whether it is not time to declare Mr. Firestone the winner. Although price was of course a factor, the controversy has centered around the question whether two strips, ordinarily referred to as "breaker strips," might properly be called "ply" so that a tire built on 4 complete layers of cotton with 2 strips under the tread might be called a 6-ply tire. Mr. Firestone has always said "Yes" and the mail-order houses "No."

The Allstate-Companion tire, sold by Sears, Roebuck & Co., is constructed with 4 full "plies" and 2 breaker strips. In the most recently published price list, this tire is called "6-ply" but an asterisk calls attention to a footnote which states that the 6 "includes 2 cord plies, technically known as breaker strips." Salesmen at Sears, Roebuck & Co. retail stores called these tires 6-ply.

Rivet Cap Opens Market For Galvanized Steel

GALVANIZED steel is an excellent structural material; the strength of the metal is protected by the weatherproof coating of zinc. Its use, however, has been limited to lighter structures in which the component parts are individually hot-dipped and assembled with bolts and nuts which are also galvanized.

Heavier structures, which are assembled with rivets, have been beyond the range of the process: hot-dipping a bridge being too Gargantuan a job for even the steel business. And anything less than that would not do because protection which did not include the rivet heads would be no protection at all.

Weatherproofing of the rivet heads, key to the difficulty, has been solved by a new process (U. S. Pat. 1,867,736) which puts a zinc cap on each rivet head after assembly on the job.

In a highway bridge, for instance, the steel members are galvanized separately. After erection, all rivet heads are capped quickly and easily with a sort of soldering iron. The zinc caps are made to fit the rivets, with a ring of solder already attached to the rim. One push with the hot iron and the cap is soldered

International News

PHOTO-CHEMISTRY—*Light rays do things, sometimes unpleasant, to foods. Department of Agriculture chemists have discovered that green cellophane bags keep potato chips, for instance, fresh much longer than colorless wrappings. Some other foods need other colors as flavor protection*

neatly to the rivet head and the adjacent galvanized steel surface.

Freed of the necessity of frequent painting, steel has a chance to regain some of its outlets lost to other materials which needed less maintenance. Concrete is a notable example, especially in its use for bridges over the many minor streams crossed by highways.

Ice Cream Takes a New Form To Solve Some Old Problems

LIKE many another product, ice cream encounters merchandising problems whose seriousness has persisted long after its manufacturing problems have been, by comparison, brought close to solution. Most serious are those met at the dealers' counter in the sale of bulk ice cream.

Essential ingredient of ice cream is air, whipped into the mix in the freezer to give it that final texture which distinguishes it from all other frozen concoctions and seals its popularity. Not too much air, if the manufacturer wants to hold that popularity, but enough.

Air Is Pressed Out

The difficulty is that this air, which goes through to consumers in plant-packed ice cream and which the dealer pays for in any event, cannot all be sold by him when he dips bulk ice cream from the can into a home container or into a fountain dish. There are ways of reducing the amount that is pressed out—skilful dipping, keeping the bulk cans so cold that their contents come out rock hard. But customers prefer their ice cream soft enough to spoon easily and few dealers or soda dispensers are skilful dippers. Often they haven't time to be.

In consequence bulk ice cream "shrinks" in serving, for which reason dealers often shrink from serving it. And when they do serve it under present dispensing practices customers sometimes find lumps of ice in their sundaes formed by droppings from scoops that have been left in water when not in use. Or, since dipped ice cream necessarily comes over the counter unbranded, the manufacturer sometimes finds dealers slipping "bootleg" products in his cabinets—and gets the blame when such products fall below the standard of his brand advertised on the fountain signs.

The Borden Co., far-flung dairy products manufacturing organization, now claims to have solved all these merchandising problems at one swoop by the introduction of MelOrol. This is a single-service cylinder of ice cream about 2 inches in diameter and approximately 1¾ inches long, individually wrapped in 2 overlapping sections of heavy paper tabbed so that it can be flipped into a plate or a soda glass faster than ever ice cream was scooped, without loss from shrinkage or over-service and served reasonably soft as the consumer likes it—and as the dealer likes it if he wants to keep his refrigeration bill down. MelOrols, sold by the dozen in bundles that fit into a 5-gallon hole in the dealer's cabinet—incidentally eliminating cans, can transportation, returns and washing with big savings to the manufacturer—have been tried out in Detroit, will later be introduced all along the Borden line.

Uses New Freezer

This solution of traditional merchandising problems has involved a complete new production set-up. Essential to the production of MelOrols is the Vogt continuous high-pressure freezer, recent development of Vogt Instant Freezers, Inc. Into one end of the small-bore quick-freezing chamber of this machine, widely differing from that of the older "batch freezer," flows the "mix" to come out at the other within a few seconds in the form of a continuous bar of surface-hardened ice cream mix. Automatically cut, wrapped and bundled sections of these bars are later hardened in the plant hardening room whence they are delivered to dealers. Process, product and packages are covered by a long list of patents.

G.E. Drops Refrigerator Price and Monitor Top

LAST of the important manufacturers of electric refrigerators to surrender to the lure of the mass market, General Electric Co. now offers through its subsidiary, Edison General Electric Appliance Co. Inc., a "popular-priced" model.

The new refrigerator, which will be marketed under the Edison-GE trade mark, is of 5 cubic feet capacity and is listed at $147 f.o.b. factory.

While built to General Electric standards, the new model represents a radical departure from G.E. design. The well-known monitor top is missing and all operating parts are enclosed in the conventionally styled cabinet.

Cleveland Housewives Check Up What They Have in the Pantry

CLEVELAND has taken inventory of its pantries. It will be months before the mass of information disclosed has been thoroughly digested and interpreted, but already food manufacturers and distributors are revising some of their set ideas.

For example: 93.4% of the homes use coffee. No one brand sells more than 20% of the homes. Chain brands sell 56% of all tonnage. Nationally-advertised brands get 27% of the market. Two-thirds of all coffee sold goes to homes that pay $30 to $60 rent. The jobber brand of coffee seems to be through. While 81% of the women knew exactly what they paid for toilet soap, 98% of them did not know what they paid for coffee!

Chain stores sell 72% of Cleveland's tonnage of groceries—the highest percentage of any city of the country. Chain stores are old in that territory.

The interesting job, believed to be the first of its kind, was done by the *Cleveland Press*. There have been many surveys in which women were asked questions about their preferences. The *Press* set out to find what they really bought. The Parent Teachers' Association was enlisted. The answers, therefore, are all from homes in which there are school children. The P.T.A. was promised about 30¢ for each questionnaire filled out by a member. The money went into the Association's free milk fund for poor children.

Moved by this appeal, 5,452 women answered 165 questions apiece—listing the contents of their larders. They filled in brand names, number of packages on hand, size of package, price paid, approximate date purchased, and time when they first began using that brand. Then they were asked where they bought most of their groceries, and why (price? quality? convenience? charge account?). They were asked also to break this down by classification, a question which yielded interesting results. For instance:

Chain domination varies greatly in different lines. Chains sell 77% of canned fruits, canned vegetables, canned soups, and 75% of soaps and cleansers. But they sell only 58% of bakery products, 37% of bread, 31% of dairy products, 35% of meats and fish, 64% of beverages.

No soap brand sells more than 22% of the market. Only 4% of housewives have started buying a different established brand within a year. That seems to indicate the maximum gain the manufacturer of an established brand might hope to make through advertising or other sales effort in a year. But a new and higher priced quality item has no such limitation; one such soap secured 13% of the homes canvassed within one year.

The 5-pound package of laundry soap chips is gaining fast; already it holds 22% of the Cleveland market.

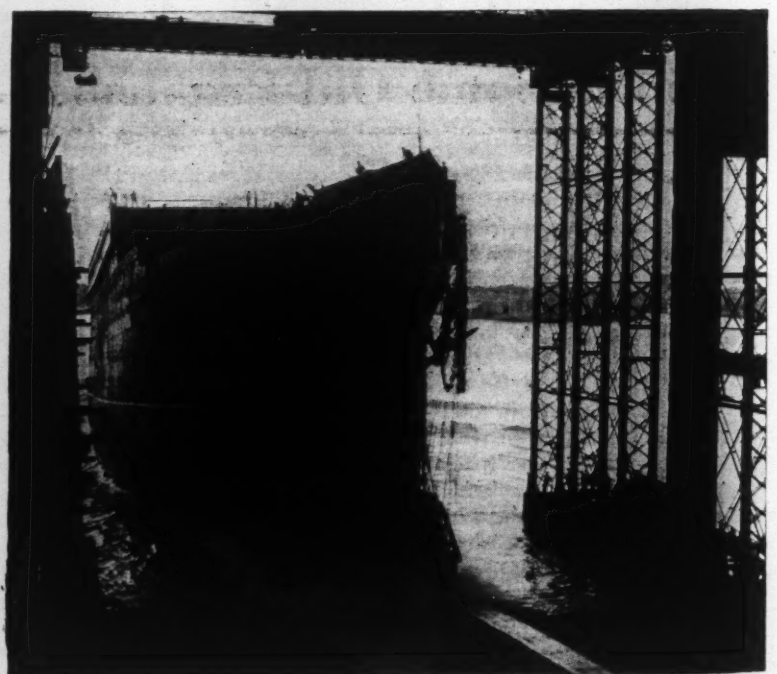
Machine Savings Drafted For Displaced Workers

WORKERS driven from jobs by electrically operated pressing machines must be paid by the machines, according to a recent ruling of George W. Alger, impartial chairman of New York's cloak and suit industry. Employers using electric pressers will be required to pay $8 per week per machine into an unemployment fund. The International Ladies' Garment Workers' Union will distribute the money to workless pressers. At the same time Mr. Alger awarded a $12 boost to pressers operating the machines—raising to $57 a week the pay of pressers whose minimum for hand work was $45. The 600 machines in New York shops should produce about $75,000 a year for idle workmen.

The action jibes with union philosophy that when machines displace men, wages should be increased and provision made for the resulting idle. Years ago the Amalgamated Clothing Workers of America and Hart Schaffner & Marx made a joint contribution for cutters displaced by machines. The men were to use the money in preparing themselves for other trades. One trouble was that the men disliked leaving the one trade they knew; while accepting the donation, they expected the union later to find them new jobs as cutters.

Worker's Buying Power Off 27% in 3 Years

THREE factors enter into the formula by which statisticians can compute for any given date the purchasing power of the weekly pay envelope. They are the number of hours worked per week, the rate of pay and the cost of living for



Acme

ANOTHER LINER—*Tourists may stay home, but ships still slide hopefully down the ways. This is the sister-ship of the U. S. Lines' "Manhattan," named appropriately, in this centennial year, "S. S. Washington"*

the given date. Formulas which omit any one of the 3 are incomplete.

Working with the complete formula for June, 1932, the National Industrial Conference Board has arrived at a figure which shows that the purchasing power of the average weekly pay envelope in manufacturing industry had, at that time, declined 27.3% from its level of June, 1929. Reports from 25 industries revealed that, during the 3 years, the average number of hours worked per week had fallen from 48.6 to 32.7 or 32.7%, average hourly earnings had dropped from 59¢ to 50¢ or 15.3%, and a 22.2% decline in the cost of living had pushed the commodity-value of the June, 1929, dollar to $1.29.

Detailed studies of what happened indicate that, while the paring down of rates of pay had played a considerable part in reducing average weekly earnings from $28.69 in June, 1929, to $16.24 in June, 1932 (43.4%), a more important one was taken by the shortening of the work-week. But in several industries cuts in working forces have been followed by increased hours and wages for those still employed; in a few they have meant increased hours but decreased wages for the "lucky" residue. Apparently the spread-work idea has not always fallen on fertile ground.

Railroads Cite Research Record To Show They Can Cooperate

THE fact that the railroads' immediate victories, if any, must be won in the field of economics—and possibly of politics—makes none the less impressive the statement of their scientific achievements with which R. H. Aishton, president of the American Railway Association, embellished the transportation record this week. It may be true that the results, as seen in the present plight of the roads, do not quite justify the pride with which Mr. Aishton speaks, though he would probably attribute that to the intervention of extraneous events, but his report on what cooperation has accomplished along narrowly technical lines fosters the hope of a joint attack on broader economic problems.

Shows Intent

At least, it refutes criticism that the carriers' recent pledge "to utilize, even more extensively than they have in the past, their organizations in the field of research and experimentation and to take all other available measures to secure the utmost in safety of rail transport and operating efficiency" was mostly pious intention.

Against the popular charge of senility, Mr. Aishton sets forth that the most marked developments in motive power, rolling stock, and methods of operation have taken place in the last 10 years. Credit is distributed among the individual lines, the American Railway Association, and the manufacturers of railway supplies. In some cases all worked together. Among the more notable results of their dealings with "more than 3,000 problems" he lists:

Development of a plan for chemically treating water used in locomotive boilers to prevent corrosion and rust, saving millions to all the roads, $1 million annually to one of them alone.

A method of chemically treating ties, trebling their life, producing more savings.

Improvements in locomotive power generation whereby the roads can now haul 1,000 tons of freight and equipment 1 mile on 137 pounds of coal against 197 pounds in 1920.

A new standard for reclaiming couplers of freight cars that will prolong coupler life at least 5 years, save additional millions.

The Sperry transverse rail-fissure detector-car that, in passing over the tracks, spots defects and marks them with a dab of paint.

Development of improved methods of operating trains by means of automatic signals.

Rail motor cars—of up to 900 hp., capable of propelling a 5-car train—to replace steam locomotives on lines where traffic does not warrant the expense of the latter; designs for streamlining such cars to increase their speed.

A standard steel-sheeted, wood-lined freight car 2 tons lighter than the ordinary car of identical capacity.

New and improved types of tank cars, especially for the transportation of explosives, acids, and other dangerous freight.

The American Railway Association's extensive testing program conducted at Purdue University—on air brakes, on draft gear and on other equipment, all leading to new and higher standards of service.

Some of these developments, of which the foregoing are but a few, are more evident on paper than they have, so far, been on the tracks or in the operating statements of the railroad companies, and publication of them may lead to the suspicion that the research departments have been more progressive than the managements. This may be changed as modernization is thrust on the roads by the weight of government "relief" funds. At all events, Mr. Aishton's statement implies that the roads know more about cooperation than was generally believed—perhaps enough to make equally impressive headway against the problems of destructive rate-cutting, excess facilities and other wasteful competitive practices which call for immediate solution.

Ship Lines Split Fares, Just Like the Railroads

STEAMSHIP lines connecting domestic coastal ports that are also joined by rail lines suffer a traditional disadvantage in quoting passenger rates in competition with the trains. The railroads advertise flat fares, leaving dining-car and Pullman charges to be computed separately by the customer. Except on the short, over-night water routes, the steamship companies have usually made their transportation charges all-inclusive. On first glance, these are apt to look high in comparison with the cost of rail travel. In any event, it has been difficult to compare the costs by land and water.

To overcome this handicap, some of the longer coastal routes are now being advertised with fares broken down to show flat transportation costs, meals and berth extra, as on the roads and on the short sound and river lines. For example, Pacific Steamship Co., operating between Pacific Coast ports, is coupling this practice with the year's summer fare reductions. But passengers who try to buy transportation alone with the idea of bringing their own dinner pails and sleeping on deck are doomed to disappointment. The breakdown is for advertising purposes only.

Penn and New York Central Cut Competition and Costs

THE New York Central and the Pennsylvania railroads compete for passenger traffic between New York and Chicago, though serving widely different inter-

mediate territories. In past years such competition has been hot—and costly. In recent years, with their crack trains carrying depression-light loads, it has been even more costly.

Neither road could cut down its through service without losing traffic and prestige to the other. But neither could well afford to keep up the pace.

Result is that Central and Pennsylvania have put their heads together, cooperated in a revision of their schedules that has reduced services as a whole by 45%, saved 4,339,000 passenger-train miles a year, 20,400,000 Pullman-car miles. Incidental savings have been made in fuel, dining-car service (never profitable), switching charges, maintenance costs, and payrolls. Incidental gain of the joint adjustment has been the improvement of service to intermediate cities.

Announcement of this cooperation last week follows other evidences of such action by the 2 roads. A few weeks ago the signatures of both appeared on newspaper advertisements announcing that the comforts of air-conditioned travel could be enjoyed on the crack trains of either road.

Western carriers have set precedents along these lines. Roads operating between Chicago and St. Louis and Chicago and the Northwest have been cutting down competitive services, staggering departure times so as to split up the passenger traffic on these runs.

10% Slash Holds Up Public Works Program

ABOUT $44 millions may be lopped off this year's $700 millions federal public works program by the provision of the economy law requiring that 10% must be deducted from the limit of cost fixed on all previously-authorized projects that were not under contract June 30. The cut applies not only to construction work carried in the regular departmental appropriations but also to the public works embraced by the Emergency Relief and Construction Act to the extent that such projects had been previously authorized.

The provision threatens seriously to hamper the construction program, as current bids on federal jobs reveal that contractors anticipate a rise in costs during the coming year. Many bids exceed the original authorized limits and a 10% cut will delay work for months and may possibly force abandonment until Congress comes to the rescue.

Fortunately, much work that is now under way will not be interrupted as the Treasury Department has obtained a ruling from the Comptroller-General which exempts projects already contracted for and buildings on which plans and specifications had been completed, and contracts for foundation work let prior to June 30. There are 12 buildings, including the post offices at Philadelphia, New York, Norfolk, and Albany.

Better Butter Prices Not Tune Old Cow Died Of

BIG dairy interests watch recent improvement in butter prices with mixed emotions. Immediate increase in revenue is most acceptable, but long pull effects may not be so desirable. Specifically, dairymen and state agricultural colleges fear higher prices may further postpone the slaughter of worn-out, unprofitable cows that should have been sent to the packers long ago.

Michigan State College of Agriculture estimates that the dairy cattle in Michigan average nearly a year older in age than under normal conditions. Money from milk and butter fat is about the only revenue the farmer is getting. Moreover, prices for old cows ("canners and cutters," in stockyard phraseology) have been so low that the return on a cow would hardly pay the freight to market. So the farmer has kept her.

This worries the dairy company, which has to buy the surplus milk, and the agricultural colleges, which are teaching the farmer that only the best cows yield a profit, and that this is particularly true in times of low prices.

Indiana reports the same condition. Wisconsin experts say that drought has brought about some culling of herds in that state. Iowa reports that the killing of worn-out cows ran 10% of herds for 1931 as against a desirable 15%.

In 1900 there were 15 million dairy cows in the United States; in 1931 there were 23 millions.

R.F.C. Earnestly Seeks Way To Finance Slum Clearance

New York, only state with suitable law, has $50 millions of state-approved projects

CONSTRUCTION industries are searching eagerly for a key to unlock the millions made available for slum rebuilding under the federal Relief Bill. Supervised limited-dividend housing corporations are specifically included among those eligible to borrow from the R.F.C.'s $1½ billion funds.

No one who has seen (or smelled) a good, old-fashioned American slum district can doubt that it is an insult to the human race meriting quick destruction. Arguments may be brought against the necessity for new office buildings, high-class apartments, or even new dwellings—but the need for better tenement construction is undeniable. Every American city of any size has its blighted neighborhoods. The sum of them offers a vast field for the profitable employment of capital and labor.

The R.F.C. is eager to make an immediate start. But there are obstacles:

New York is the only state with the legal mechanism necessary for such a loan. In 1926 it created a Board of Housing which supervises erection of low-rental apartments by limited dividend agencies. The American Construction Council and others are urging upon different states the passage of legislation similar to New York's. Illinois, Pennsylvania, Massachusetts, Ohio, and New Jersey have taken the suggestion seriously, have asked New York about the form and operation of its housing control.

Some Vital Questions

Action by legislatures is apt to come too late to be of much help in the current emergency. But New York city has the greatest need for slum clearance. Removal of shabby rookeries in the metropolis alone would give an appreciable boost to business. The New York Housing Board is working hard to unleash the authorized capital and the R.F.C. is cooperating. But the R.F.C. is a new organization; it has no precedents to guide it; it must protect itself and the public funds. There are vital questions to be answered:

With states, cities, and all sorts of organizations clamoring for its blessing, how many millions should be allotted to such housing? The greatest present

The Business Week

STRONG ENOUGH—*An onlooker, watching the frameless steel house being erected in Cleveland, questioned the strength of the floor, built up of thin Z-shaped steel sections. This hefty pair of Percherons satisfied him*

difficulty is in raising capital beyond the first mortgage; how much if any of this equity financing should be furnished by the R.F.C.? If too great an outpouring is made in New York, what will be said to other states that may later pass housing laws and apply for their shares? What is a "self-liquidating" project within the meaning of the federal act?

No grass has grown under the sandals of the New York Housing Board. It hot-footed down to Washington with $50 millions in housing projects which it had examined and endorsed.

Everyone Is Figuring

Plans approved are part of $100 millions in slum clearance projects submitted to the Housing Board. Since other building went dead, New York architects, realtors, and contractors have enlivened their leisure with ambitious plans for the razing and rebuilding of New York's East Side. Projects approved are those which the Board believes have sufficient backing to justify application to the R.F.C. One East Side project comprising 20 blocks and calling for $45 millions is sponsored by Brown, Wheelock, Harris & Co. A $20-million enterprise for Queens is proposed by Samuel Rosoff, subway contractor. Fred F. French is assembling plots for a development which probably would not come under the limited-dividend provisions of the relief bill.

Six years' experience has shown that the New York law is workable and that buildings put up under its restrictions are more secure backing for investment than unsupervised developments of speculative builders. New York's housing law provides supervision of construction, holds monthly rents to a maximum of $12.50 a room in Manhattan, $11 a room elsewhere. Cumulative dividends of 6% are permitted to limited-dividend companies. Cost or appraised value, whichever is lower, determines the capital structure. Investment rather than speculation is encouraged by providing that one-third of the securities must be represented by stock or income debentures, not more than two-thirds by mortgage loans. Amortization, depreciation, renovation reserves must be provided for. Income is exempt from state taxation; buildings are exempt from city taxation for 20 years.

In 1931 projects completed under the law housed 729 families, cost $4½ millions. "Exigencies of the mortgage market" held up another $6 millions of construction. One financial institution committed to a $2-million mortgage, indefinitely deferred the loan.

Mixed Feelings

Banks and insurance companies with mortgages in affected districts view with mixed feelings the prospect of new building by government funds. They realize that the limitations thrown about the supervised houses make for sound securities; good business as well as the common humanities urge them to their share of the financing. One banker takes the view that sporadic building of small units will not help much, that enough blocks must be included to create a neighborhood environment, that the most desirable plan would be to reconstruct the entire district.

Many of the old structures have reached a point of obsolescence where improvements are unjustifiable. What would happen to rentals in these rookeries if new, better buildings were erected across the street? Owners could (1) put up new buildings at competitive rentals or (2) cut rents to a point where low costs would overcome other considerations. But the latter plan would endanger investment return.

Not for the Poorest

The popular belief that such new housing helps the very poor is all wrong. Manhattan land is so valuable that apartments cannot be planned with sufficient space for light and air, or properly erected at a cost low enough to meet rentals in the ancient buildings nearby. The housing law fixes a maximum rent of $12.50 per room. In the old buildings rents of $3 and $4 a room are not uncommon.

Inevitably new and decent housing would drive out present occupants and bring in an entirely different class with higher incomes. Actually the emigration from the "world's most crowded district" has been under way a long time. New construction in outlying parts of the city has drawn thousands from the older ghettos. Between 1910 and 1930 the population of the lower East Side declined from 531,000 to 249,000. During the last year the exodus has been even more rapid. A recent survey of the Housing Board showed that in 97 typical blocks, 96 buildings were completely vacant, that vacancies in the other apartment houses were 24.4%. Store vacancies were about the same. Average rental of apartments was $19.38, of stores $36.71.

Why Mortgagees Worry

The drift of all this is anything but encouraging to holders of mortgages in the district. A breakdown of 49 blocks indicates who owns the securities and the worries accompanying them. About 25% of the mortgages are held by savings banks and insurance companies, 54% by private persons, 13% by mortgage finance companies and other corporations, 6% by estates.

All these interests probably would be delighted to have Uncle Sam step in and do something about the situation. Whatever steps were taken toward razing and reforming the construction, the interests of mortgagees would have to be protected.

Albany, 150 Miles From Sea, Becomes a Modern Seaport

Even if, or when, the St. Lawrence seaway opens, she has high hopes of holding trade

THE HUDSON is less a river than an arm of the sea stretching north into the heart of the Empire State, carrying tidewater to the place where the Barge Canal connects the Lakes with the Atlantic.

Here, 150 miles inland, is being built a new ocean port, the Port of Albany. Last June, dignitaries made their speeches and the Port was formally opened. Last week, before the great steel tent which roofs the commodity bins was cool from the welder's torch, wheat was moving in.

Albany's maritime ambitions date from colonial days, were first gratified with the opening of the Erie Canal, some 110 years ago. The coming of the railroads killed the canal, and turned Albany into a railroad center, which it still is.

Almost a century later came the Barge Canal to revive these ambitions. But obstacles were still in the way. Deep water came only as far as Hudson, 30 miles away. Not until 1927, after working for it since 1913, was anything done about deepening the river. Four years more, and the federal government had completed a 27 foot channel the rest of the way to Albany, and ocean bottoms now steam along where the ancestral *Clermont* once puffed mightily.

Assured of deep-water navigation, the cities of Albany and Rensselaer pledged themselves to develop shipping facilities. On the Albany side of the river there is wharfage totalling 4,400 ft., together with 25 miles of trackage connecting with the 6 trunk line railroads which center there. On the Rensselaer side, is a lumber terminal with a capacity of 100 million feet. There are roads for trucks, transit sheds, every convenience for the economical transshipment of cargoes.

A Spectacular Elevator

Most spectacular is the grain elevator, reputed to be the world's biggest single unit with a capacity of 13 million bushels. In addition to the usual circular bins, there are great commodity bins, unbroken by supporting columns which are warehouses as well as elevators. Trucks can drive right in to load or unload bale or case goods.

These vast storerooms have a self-supporting roof which is the first of its kind, a huge welded sheet of steel, supported at top and bottom only, and allowed to take its natural curve.

Greatest feature of the development, and that which will be ultimately responsible for its success, is the economical handling made possible by its design and equipment. Ships load and discharge at dockside, directly into freight cars, trucks, or storage sheds. Grain is handled very cheaply by pneumatic unloaders and belt conveyors. Carload grain is dumped bodily, car by car, a hundred-car train in ten hours.

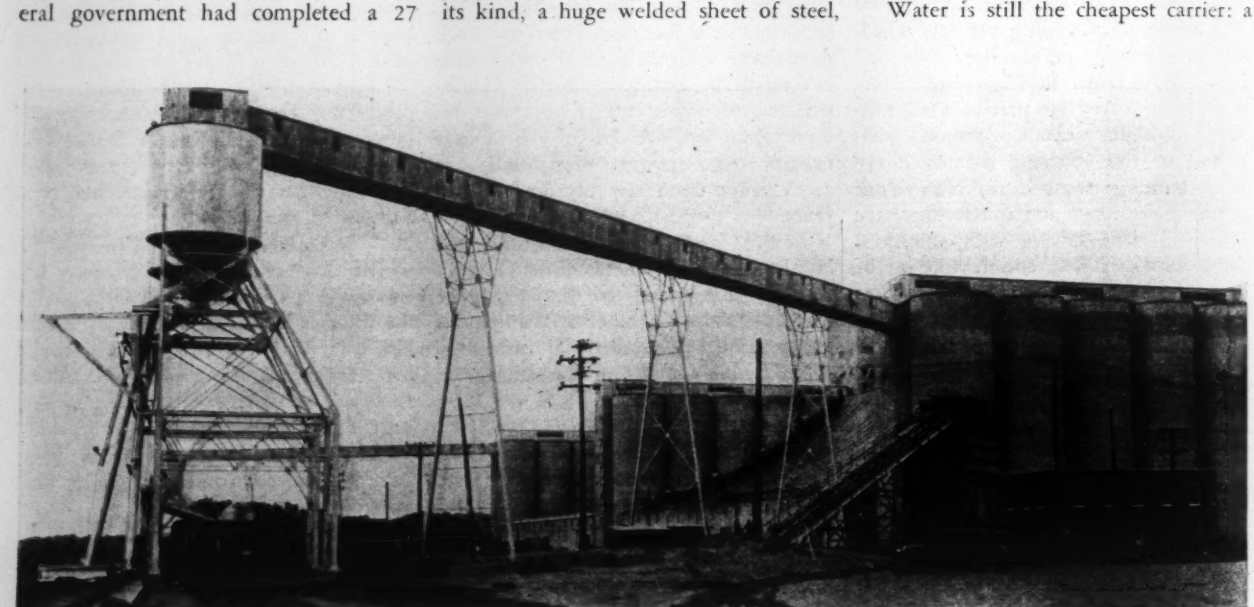
Needs Grain Trade

The Port is pinning most of its hopes on the grain trade. Most of the elevator capacity, as a matter of fact, is already leased. On the St. Lawrence waterway, grain must be transshipped once on its way to Montreal, once again at that port for shipment to Europe. Navigation is closed for nearly 6 months of the year, a factor favorable to Albany which will still be important if, when, and as the new international waterway is constructed.

On the state Barge Canal, navigation is open until late in December, is closed only until late March. And on the Hudson, navigation is possible throughout the year.

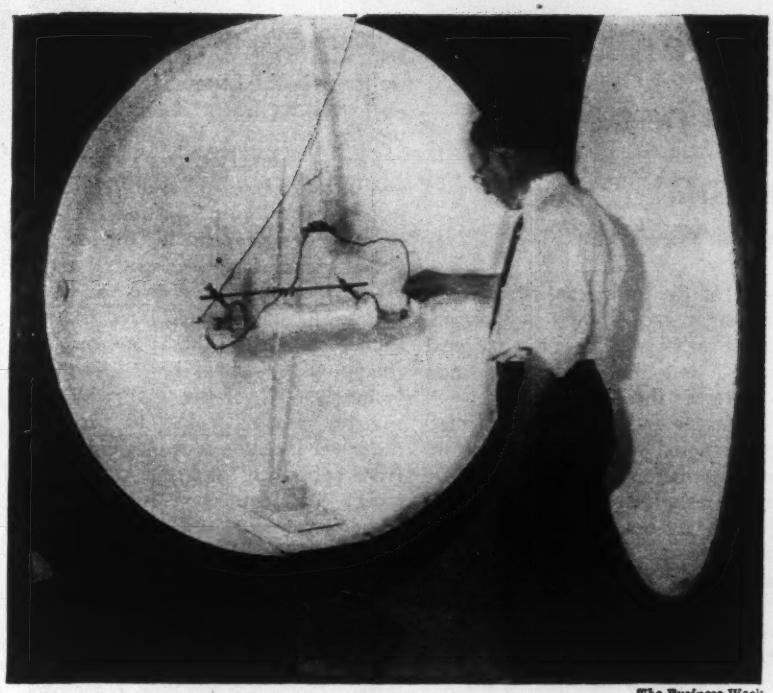
Equally important, if less in the limelight, is the possibility of general port business. Albany is strategically located to serve the rich agricultural and industrial territory west and north to the Lakes, and that part of New England west of the Connecticut.

Water is still the cheapest carrier: a



Smith

THE ELEVATOR AT THE PORT OF ALBANY—*Left, at dockside, the loading and unloading arrangements. Right, connected by belt conveyor, the circular grain bins. Between them, the great "commodity rooms" roofed with a welded steel tent which needs no columns, trusses, or other supports. When used for baled goods, trucks drive right in*



The Business Week

G-E's New Sodium Lamp—*Electrical engineers believe gaseous glow lamps promising; here is the newest, set up for a photometer test in Schenectady laboratories. Holland is also experimenting*

cargo of lumber from the West Coast can be delivered cheaper in Chicago via the Panama Canal, the Hudson, the barge canal and the Lakes, than by rail direct from Washington.

Oil is the first industry to see the advantage of this inland port. Many companies have made it a major distributing port, bringing their tankers direct from the Gulf to Albany, transshipping there to barges, cars, trucks.

Proximity to New York is as much an advantage as a handicap. At present, wheat going out of New York in ballast is brought down by rail or barge, transshipped to lighters, and thence by floating elevators into the ship's hold. Efficiency of the Albany handling system may make it worth while for ships to go up the river for their grain.

Then, too, New York is the world's greatest port, and Albany's nearness may bring it many cargoes from New York's marine traffic.

Engineers One Step Nearer Good Gas-Discharge Lamp

Two announcements, one from Schenectady, one from Holland, report progress toward a satisfactory electric lamp of the gaseous discharge type.

This is the goal of many investigators. Its potential importance can hardly be overrated. Complete success might revolutionize all artificial lighting as did the incandescent bulb in its day. Even partial success might well have profound effects in special fields, as highway illumination.

It is recognized that the incandescent bulb is an inefficient device for converting current into light. Gas-discharge lamps get much more candle power per watt, even in their present imperfect state. Disadvantages of the gaseous discharge lamp: so far, most of them have required high voltage to start the gas glowing, so that they call for elaborate auxiliary appliances while the incandescent bulb needs nothing but a socket and ordinary line voltage. Light from the gaseous discharge lamps destroys color values, hence is not suitable, until this is cured, for home or store lighting.

General Electric at Schenectady and at Nela Park, Cleveland, has developed a new sodium vapor that gives 34 lumens per watt as against the ordinary incandescent bulb's 14 lumens, and special bulb's 22. The new bulb or tube is brighter than neon or mercury tubes, with their 15 to 25 lumens per watt. Difficulties of the new lamp—it operates at 410 degrees F., and the hot sodium vapor attacks glass, producing serious discoloration and absorption of light. A new glass is being developed that is promising; engineers hope also to conquer the temperature difficulty.

The light is monochromatic, that is, everything looks the same color.

In Holland, Dr. Giles Holst has developed a lamp using a mixture of neon gas and sodium vapor that yields 500 to 600 candlepower on 100 watt input. His lamp also requires a vacuum tube jacket to conserve the heat, 200 to 300 degrees C. being required. It likewise is monochromatic.

After a year of experimentation, a mile of highway between Maastricht and Nijmegen has been lighted with lamps on standards 26 ft. high and 83 ft. apart. The lighting is so intense that speeds of 50 and 60 m.p.h. are safe for motorists.

Community Insurance Cuts Sickness Costs

In a year during which there has been more discussion than use of insurance to prevent individual and social disaster the Brattleboro (Vt.) plan of reducing the cost of sickness through mutual benefit insurance has attracted wide attention.

Through payment of a small annual premium to the Brattleboro Mutual Aid Association residents can make advance provision for low-rate nursing or hospital service in case of illness. Fifty cents a year for a child under 16, $2 for single adults, $3 for married couples entitles the member ill at home to the services of a graduate nurse at one-third the regular rate, or of an "attendant nurse," available for light duty and housekeeping assistance, at one-half her somewhat lower rate.

Upon payment of $1 a year for children, $5 for single persons and $7.50 for married couples, the association agrees to pay full costs above $30, but not in excess of $300, in case of an operation, including hospital charges and surgeons' fees. In non-surgical cases it will pay half the cost of regular hospital accommodations, excluding physicians' fees. Chronic and maternity cases are not admitted to these benefits.

Excess of Spending Over Income Makes "Paradox of Prosperity"

19. The American Consumer Market —A Study by The Business Week

No matter how one approaches the task undertaken in this study, that of estimating the value of the goods and services consumed, taxes paid and amounts saved by the American people in recent years, it appears that in the aggregate these values exceed by a considerable margin in every year the total of individual cash incomes.

This is the "paradox of prosperity" that emerges from every careful and comprehensive attempt to compare the income with the expenditure, or in short to balance the budget, of the American people as consumers. Its explanation is at once the most difficult and the most important part of any study of American economic life, for in the bare suggestion that the national consumer budget may be so chronically unbalanced, and that the American people cannot pay for all that they consume, lies the key to many basic business problems.

Of course it would be easy to dismiss the whole paradox by pointing to the deficiencies of the statistical data on both sides of the books. Obviously in such a vast accounting there must be many errors and gaps. Heretofore it has always been assumed that the consumption of the American people as a whole cannot exceed their production, after due allowance for international exchanges, and that their production must represent their income.

The concept and method of calculating the national income are subject to endless disputation, but without going into these technical questions here it is sufficient to say that, through the work of the National Bureau of Economic Research, the data here used regarding the regular or recorded aggregate monetary income of individuals in the United States are reasonably well established and accepted and rest on a fairly definite basis of statistical fact. So likewise the estimates of the aggregate value of goods and services consumed, taxes paid and savings made by consumers presented in this study are based on a body of definite data, mainly official, in which the margin of error cannot possibly be large enough to account for the gap between the income and the consumption figures.

But when we leave this more or less definite factual material and attempt to explain this paradox we frankly enter the field of fantasy and speculation. The purpose of the two concluding articles of this series is to explore this field with what slight statistical guides we have, in the hope at least of emerging with a clearer definition of the problem it puts to business.

First, it is necessary to note the nature and characteristics of each side of the income–expenditure equation. The income figures represent the total of individual money incomes from all regular or recorded sources, distributed according to income groups. As Chart II shows, in 1929 these sources were chiefly wages and salaries, amounting to nearly 60% of the total, which presumably accrued mainly to persons in the lower income groups, as did receipts from insurance, and the civil income which represents wages of public employees, pensions, and payments to veterans. Although the remainder of income accrued in part to the lower brackets, most went to wealthier groups.

Higher Brackets Insignificant

About 98% of the individual income recipients earned less than $5,000 from all these sources in 1929. In the aggregate this vast group received 78.6% of the total individual income, while 21.4% went to the 2% of individual recipients. Yet the 98% who received incomes below $5,000 and acquired 78.6% of the total income accounted for 76.2% of the total expenditures for goods, services, taxes and savings and bought 83% of the goods and services alone. The 2% in the $5,000 class and over who received 21.4% of the total income accounted for only 17% of expenditure on goods and services.

It is evident that the brunt of the

Distribution of Purchasing Power and Consumption by Income Groups, 1929

Income Group (Thousands)	*No. of Recipients (Thousands)*	*% of Total*	*Income (Millions)*	*% of Total*	*Total Expenditures for Consumption, Savings, and Taxes (Millions)*	*Excess of Expenditures Over Individual Income (Millions)*
$1,000 and over	.5	.001	$1,354	1.51	$1,367	$13
500 under 1,000	.8	.002	764	.85	795	31
300 under 500	1	.003	720	.80	771	51
150 under 300	5	.01	1,267	1.41	1,295	28
100 under 150	6	.01	911	1.02	954	43
50 under 100	23	.05	1,949	2.18	2,266	317
25 under 50	65	.13	2,583	2.88	3,221	638
10 under 25	260	.54	4,791	5.35	6,066	1,275
5 under 10	607	1.26	4,845	5.41	6,724	1,879
3 under 5	1,875	3.89	8,994	10.04	11,223	2,229
2 under 3	4,071	8.45	11,616	12.97	13,691	2,075
1 under 2	22,800	47.32	32,985	36.82	37,658	4,673
1 and under	18,466	38.33	16,806	18.76	18,271	1,465
Total individual	48,181	100.00	$89,585	100.00	$104,202	$14,717
Institutional population	3,150	.....	.....	.....	1,799	1,799
TOTAL	51,331	.....	.....	.....	$106,101	$16,516

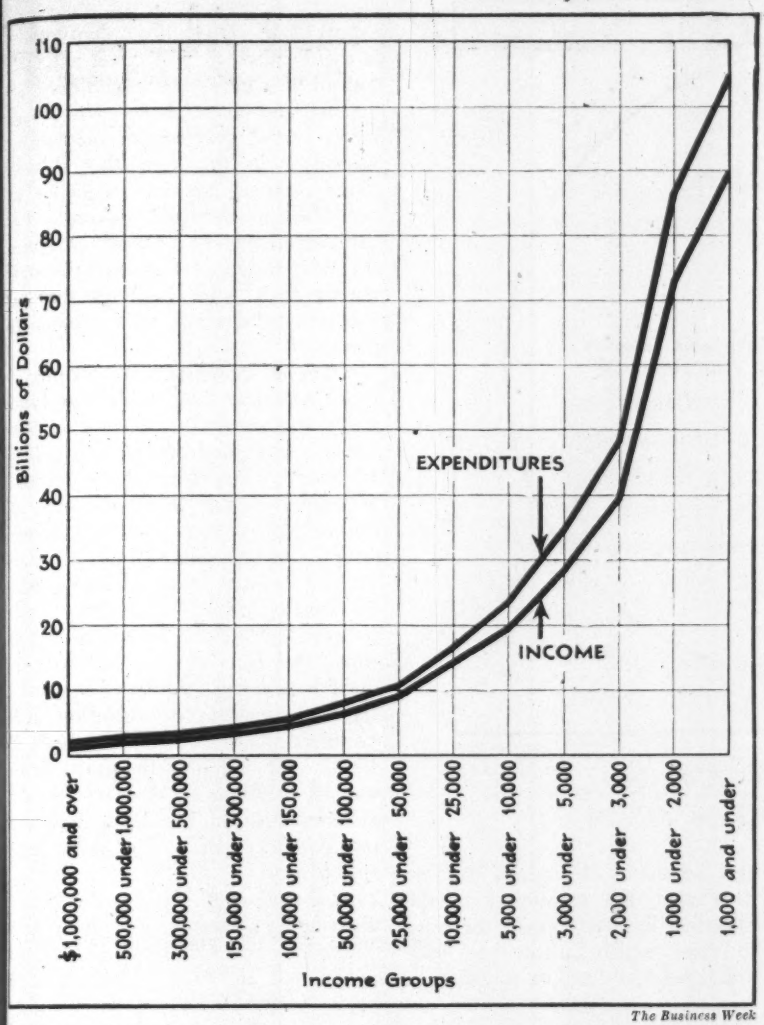


CHART I—*1929 figures show the smaller incomes are the most important, and the smaller they run the greater the excess of expenditures over income*

burden of absorbing the goods and services offered for sale in the American market, together with the payment of taxes and the accumulation of savings, rests upon the overwhelming proportion of consumers with small incomes.

A Widening Gap

Chart I and the table herewith indicate also that the size of this burden of balancing income and absorption increases as income declines, and that the gap between total individual income and expenditure grows as income decreases. How is it actually closed? Clearly it can be closed only if the effective consumer income is increased over the recorded or recognized income by purchasing power from other sources, or if part of the consumers' goods and services produced and offered for sale are not actually bought by consumers or are not fully paid for.

The estimates by the National Bureau of Economic Research of total individual monetary income from the regular sources indicated in Chart II, although as complete and accurate as possible, do not assume to cover all the purchasing power which is available to individual consumers.

In the first place, millions of consumers earn more or less money yearly by odd jobs and special tasks such as typing, drafting, cutting lawns, tending furnaces, selling newspapers and magazines, shoe shining, delivering packages, drayage, cutting timber, canvassing, casual literary work, etc., all of which does not get into the records. In addition, despite the Capone conviction and the Seabury investigation, there is no trace in the official statistics of funds derived from sales bribes, bonuses, gambling profits, political graft, racketeering tribute or bootlegging. Further, the trade-in allowances on purchases of cars, radios, sewing machines and many other articles constitute in effect an addition to consumer purchasing power. Likewise the redemption or retirement of corporate and foreign bonded debt and other investments—not counting the retirement of federal, state and local debt, which have already been deducted in computing the "savings" item—bring to individuals a certain amount of purchasing power annually, which goes into consumption or savings.

Credit's Great Role

Finally, the well recognized factor of consumer credit has constituted in recent years an important addition to current purchasing power. The amount of such credit of all forms in use at any time is enormous. For 1929, it may be estimated that credit outstanding extended by pawnbrokers, unlicensed loan sharks, personal finance companies and loan associations, small loans by commercial banks, insurance policy loans, open book retail accounts and regular instalment credit amounted to $11.3 billions. For the purposes of this study, however, only the annual increase in the total of this type of credit purchasing power is pertinent, and this only has been used. The additional sources of purchasing power involved in loans on securities purchased, net withdrawals of savings accounts (such as occurred on a large scale in 1929), mortgage borrowings on ownership residential property and loans on building and loan association shares have already been allowed for in the estimate of net individual savings each year, which was covered in one of the earlier articles in this series.

An Approximation

Bringing together a series of reasonable estimates for all these forms of addition to consumer income, not already accounted for, based on such data as are available for 1929, the approximate result is as follows:

	(*Millions*)
Money earned by odd job employment	$2,000
Annual increase in consumer credit	1,800
Sales bribes, bonuses, gambling profits, political graft, racketeering, and bootlegging	1,500
Corporate and foreign debt redemption to individual holders	750
Trade-in allowances	750
Total	$6,800

This bridges only part of the gap in the consumer balance sheet. Most of these additions to consumer purchasing

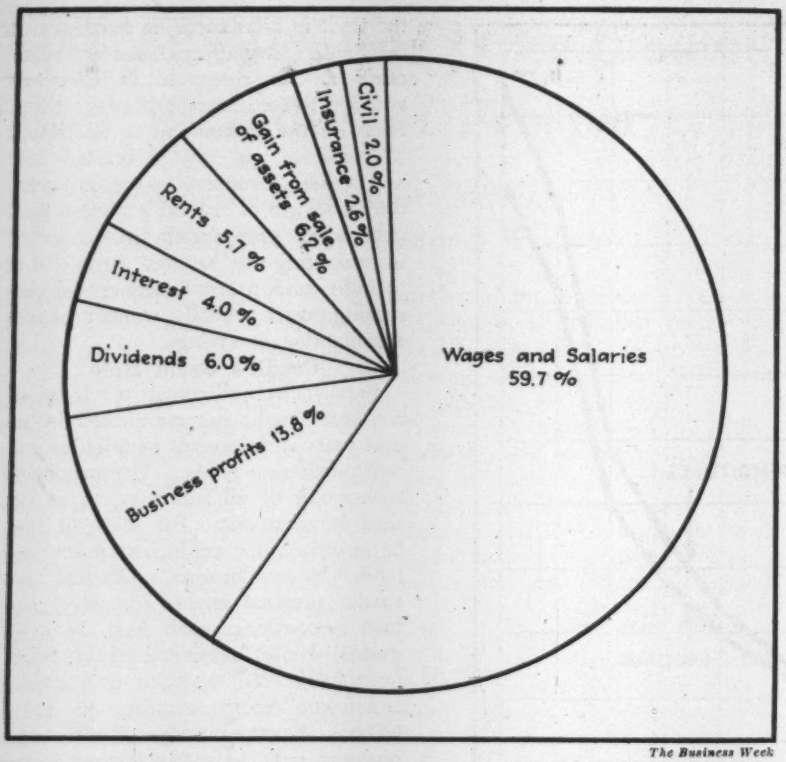


CHART II—*Study of sources of recorded income in 1929—which also shows that most of it accrued to persons in the lower income groups*

power from these sources, except the illegitimate forms, fall into the lower income groups. But nearly $10 billions remain to be accounted for on the expenditure side of the equation, and it will be seen in the succeeding and last article of this series that on this side also, the consumers in the lower income brackets benefit the most by the factors which furnish them with goods and services free, or at less than cost.

Kemal's Control of Industry Means Change in Turkish Buying

WORLD business is watching Turkey. Things are happening there which are typical of changes being made in many countries. In the long run they may be changes helpful to business in other countries. Just now they are freezing out many of the foreign enterprises which have done profitable business in Turkey since the days of the sultans.

Two recent announcements indicate the trend. The first is the confirmed report that Italy will lend the Ankara government nearly $15½ millions with which the Turks will initiate a 3-year industrial program. One-third of the loan will be in cash, one-third will be used to meet Turkish obligations to Italian shipyards, and the remaining third will go to buy Italian machinery.

There is the further report from Ankara that with the cash, Turkey will construct a third sugar factory, set up machinery for the cotton industry, and improve coal mining facilities.

The second significant development is the trend toward state monopolies. During the last 10 years the government has gradually acquired most of the railroads of the country. The production, manufacture, and marketing of tobacco, cigarettes, salt, gunpowder, and alcoholic beverages are state monopolies. Banks are under the thumb of the government; so is most of the mercantile marine.

Now the government plans to push the idea of farm cooperatives and, at the same time, to institute much wider government supervision of all import and export trade. The entire opium business is the first which will come under the control of a government syndicate. The nut, fig, and raisin business was brought under partial government direction last December in the hope that this important export business might be improved by standardized packing and organized marketing. Coffee and sugar are likely to be put on a strict monopoly import basis with the hope that payments can be made with tobacco exports.

Trend Toward Soviet Plan

An American long resident in Turkey made the statement recently in New York that Turkey eventually would be Sovietized. Foreigners have criticized Mustapha Kemal Pasha recently, declared that he was adopting Russia's system without admitting it. Some Turkish business leaders refuse to admit the similarity even, claim that present policies are merely depression expedients. The fact remains, however, that there is a certain similarity in Turkish and Soviet conditions warranting similar measures. Moscow has found state operation of monopolies the most effective way of handling the business of a lot of inexperienced peasants. Individual responsibilities increase as these people are trained.

In the case of Turkey, the bulk of the country's business was handled by Armenians and Greeks until they were driven out in 1923. Since then the Turks have had to carry on their own business. Mustapha Kemal evidently thinks they have not done the best job. Therefore he is planning to handle it for them.

Not a New Movement

The move is not sudden. As long ago as 1930 the government started to put its house in order financially, to curb investments, to build up domestic industry. There have been drives to "Wear Turkish-made Clothing," to "Drink Turkish Tea," to "See Turkey First." At that time 2 great German electricity concerns, the A.E.G. (German General Electric) and Siemens, started to withdraw their technical staffs from Constantinople. Lenz and Philip Holzmann, important German engineering firms, reduced radically their Turkish subsidiaries. Czernay, the well-known Czechoslovakian firm, which formerly supplied the whole of the Near East and Turkey with glass and potteryware, closed its Turkish branches.

Turkey is not a lost market, but the character of its imports will change. There will be less of finished goods in

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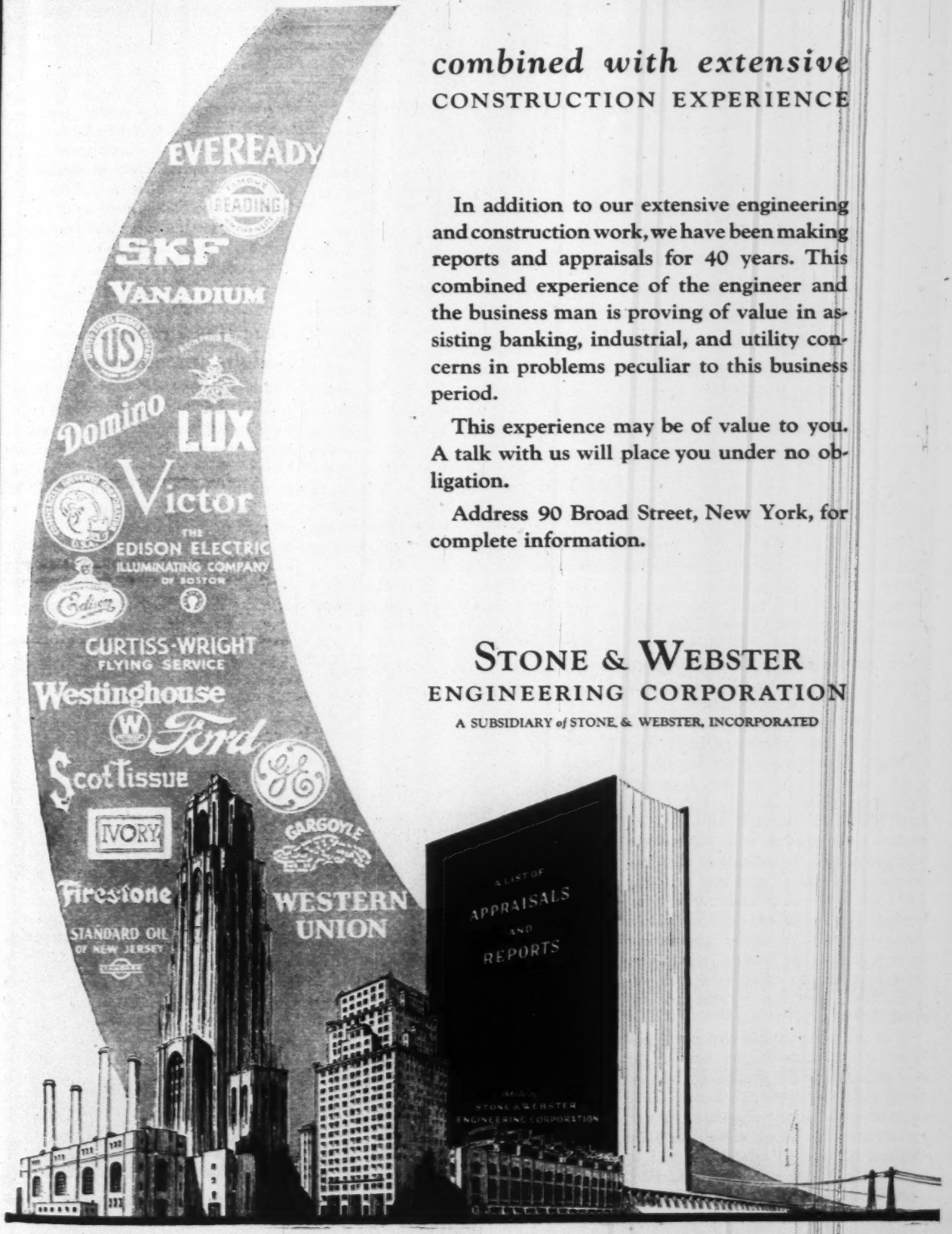


the so-called prime necessities group. The Turks will be making them at home. But there will be an expanding market for the machinery to equip new factories, the equipment for modernizing mines, the "makings" of railroads, and the technical skill which can direct great projects.

Americans have never had a great share of the business in Turkey. Italy, Britain, Germany, and France have been the most important buyers and sellers. But the trend may shift as Russia enters the field. And the demand for machines should bring new opportunities, though possibly not at once, to the United States.

Argentina Again Talks Oil Nationalization

WORLD oil interests received a fresh shock from the Argentine this week. Buenos Aires is talking nationalization again, is arguing another bill in the legislature. It is a chronic worry to foreign operators but each fresh attack brings a greater dread.

The last serious threat to foreign oil interests came under the Irigoyen régime (*BW—Oct26'29*). Two bills were introduced, one to control the means of transporting oil, the second to place the exploitation of all mineral resources under one government bureau. They were among the mass of legislation never enacted because of the fall of Irigoyen and the more pressing duties connected with the change of government.

Since then there have been enacted tariff regulations placing a large duty on crude oil and oil product imports.

The new bill before the Argentine legislature contemplates the limiting of land grants in potential oil-producing regions to so small an area that no field will get out of the control of the government. Producers must pay a royalty and a tax to the government. Pipe lines, beyond the limits of each individual concession, will be under government control. So-called "private" companies must have certain officials in their organizations appointed by the government.

It is entirely probable that any legislation as drastic as this implies will be put into operation gradually, because nearly half of Argentina's annual crude oil production is in the hands of foreign private interests. Also, more than $200 millions of foreign capital are said to be invested in Argentine oil production.

As in the case of Chile and Mexico, the broadest significance to foreign business is the threat of growing nationalization of industry in the entire area south of the Rio Grande. It may benefit future progress; right now it is a distinct threat to vast investments.

This Coffee Maneuvering Is Just Shrewd Strategy

SOME pretty strong criticism has been chalked up against the Federal Farm Board in the past. Present shrewd maneuvering on the coffee market may wipe out a part of it.

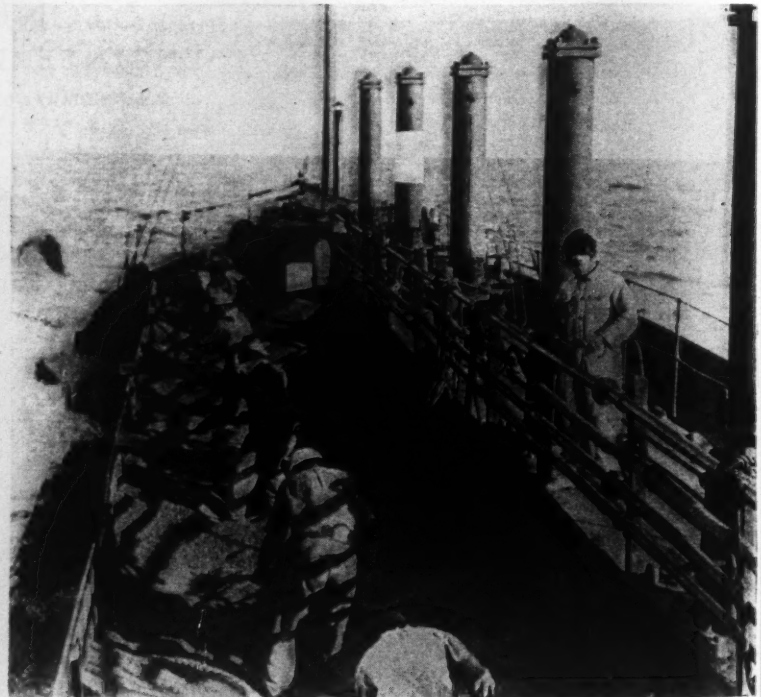
It is admittedly possible that there will be a coffee famine before winter, but it is highly improbable. There is a 2 months' supply of coffee in this country (*BW—Aug24'32*), and shipments (somewhat curtailed) are still coming up from Brazil despite the continuing civil war down there and the inability of the rebels to get coffee out of Santos, shipping center of the coffee region.

Along with other commodity prices, coffee has been selling up in recent weeks. It is no doubt influenced by the possibility of declining shipments. When a steady upturn was evident a few weeks ago it was attributed to the success of the coffee destruction scheme in Brazil.

The Farm Board is tied down to a contract with the coffee people in Brazil to release only 62,500 bags of coffee a month in order not to depress the market. Now they are pressing the government in Rio for permission to release 200,000 bags a month "during the threatened shortage." It would be very profitable. It might balance off any setback that may come if, the civil war ended, Brazil rushes a lot of coffee out of the country in a hurry, floods the market for a time, undermines the recent price gains. Inasmuch as the Coffee Advisory Committee—anxious to get government coffee out of the way—is behind the Farm Board in this move, there can be no important criticism of it. But it may as well be understood what it is.

Tear Gas Producer Laughs at Depression

TEARS are not idle to the Federal Laboratories, Inc., of Pittsburgh, one of those small businesses that earnest researchers have found laughing at hard times. They have enabled it virtually to double its volume each year in the last four, increase its force from 2 to 80 men in the last nine. The "volume" is in tear gas which its 35 salesmen sell to banks, police departments, prison authorities and anybody else who does or risks doing business with gunmen.



Wide World

COFFEE FOR DAVY JONES—*Brazil continues to help coffee prices by controlling the surplus. It is dumped at sea, burned on land*

Wide Reading

WHY CORPORATIONS LEAVE HOME. John T. Flynn. *Atlantic,* September. Why Delaware especially, but also New Jersey, Maine, West Virginia, Maryland, and Arizona attract corporations.

SURVEY OF FIXED TRUST PORTFOLIOS. *Dun's Review,* Aug. 13. Study of changes in securities held by 73 investment trusts on July 1, 1932, compared with a year ago. Trend away from rigid fixed trust to a more flexible type of organization similar in many respects to the management type of investment trust.

HOW 20 ADVERTISERS FOUND NEW PRODUCTS. Bernard A. Grimes. *Printers' Ink Monthly,* August. Twelve considerations involved in new product selection.

SODIUM-VAPOR LIGHTING IN HOLLAND. *Electronics,* August. Highway illumination with new gas-discharge units which have 3 to 6 times the efficiency of tungsten.

NATIONAL AND WORLD PLANNING. *Annals of the American Academy of Political and Social Sciences,* July. Wallace B. Donham, Paul Blanchard, H. S. Person, Glenn Frank, William Trufant Foster, Peter A. Bogdanov, and others discuss capitalism's capacity to plan, and various schemes which are functioning.

REPORTS—SURVEYS

PREPARING SHIPMENTS TO CANADA. Bureau of Foreign and Domestic Commerce, 18 pp., 10¢. How to prepare documents to accompany shipments to Canada; where to apply for trade information.

REVIEW OF WORLD TRADE, 1930. Vol. I & II. World Peace Foundation, Boston, 68 and 183 pp., 60¢ and $1.50. Trade and balances of payments in 32 major countries. Concise, complete.

BRITISH EXPERIENCE WITH UNEMPLOYMENT INSURANCE. Published by Metropolitan Life Insurance Co., 41 pp. Summary of evidence taken by Britain's Royal Commission on Unemployment Insurance.

BOOKS

ESSAYS IN PERSUASION. John M. Keynes. Harcourt Brace, 376 pp., $2.50. A record of the forethought of one of Britain's outstanding economists. Nothing technical, nothing the informed business man cannot readily follow.

SLUMS, LARGE-SCALE HOUSING AND DECENTRALIZATION. President's Conference on Home Building and Home Ownership, Washington, 245 pp., $1.15. Special reports on blighted residence areas, samples of large-scale housing, and discussion of industrial decentralization. One of the most stimulating in the conference series of reports on housing.

PATHWAYS BACK TO PROSPERITY. Charles Whiting Baker. Funk & Wagnalls, 351 pp., $2.50. Thoughtful discussion of the present lack of equilibrium in business. Improvement can come only with a more general distribution of the wealth which our machines are producing.

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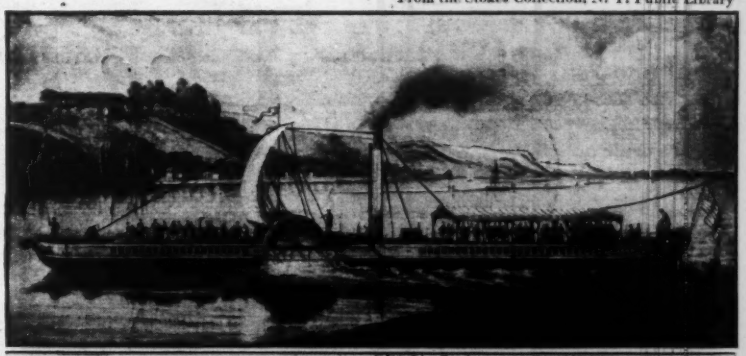

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British Motor Transport May Have to Carry Its Roads

THE cry of the railroads that trucks and buses are unfair competition because they are not responsible for maintenance of a right-of-way has brought at least a recommendation for action in Great Britain.

Cut-throat competition between the 2 means of transport became so acute last year that the government appointed a commission to look into the problem.

Loud were the cries of motorists—both private and commercial—when the committee unanimously recommended last week that the whole cost of constructing and maintaining roads be borne for the next 5 years by the users of motor vehicles. Annual expenditures are estimated at more than $215 millions. The committee recommends that commercial trucks pay $85 millions of this total, that private cars, motor coaches, and taxis be taxed for the remaining $130 millions.

Truck Owners Scream

Operators of trucks protested most loudly. The commission arrived at its recommendation allocating the proportion of the total which each type of vehicle would carry on a basis of ton-mileage and gasoline consumption. The operator of a solid-tired, 10-ton truck running an average mileage might pay, instead of the present $210 tax, a levy of nearly $1,000, besides the enlarged tax now collected on gasoline.

The railroads have been persistent in their claims against the motors. It is their claim that they are required, alone, to keep up their right-of-way and at the same time to pay heavy local taxes, a part of which go for maintenance of the roads. It is contended that the railroads would regain at least a part of the long haulage business if motor transport, with reasonable tax charges, were forced to quote rates on a more equitable basis.

The committee played up interesting statistics. Ten years ago there were in Great Britain only 1,888 motor transport companies. Now there are 7,759. Of this total, 1,500 reporting companies list total capitalization at $250 millions, and 106 of the companies in 1931 paid an average ordinary dividend of 8½%. The country's largest road transport operator paid a 20% dividend on ordinary shares.

In contrast, railroad earnings are increasingly less favorable. In the first 6 months of this year, rail earnings fell $25 millions below the first half of last year. In all of 1931, rail earnings were $53 millions below the relatively poor 1930 reports. Where road transport companies paid 8½% dividends, rail companies passed up dividends on $1,400 millions.

Roads Operate Trucks

The British railroads know both sides of the question for they operate extensive bus and truck lines. They have attempted to cope with the problem by internal reorganization along more efficient lines, by operating economies, and finally, on the part of the London, Midland & Scottish and the London & North Eastern, by agreeing to joint schedules on competing lines.

The outcome in Britain is still uncertain. So far, there is only the recommendation of the government investigating committee. The realization, however, that railroads are absolutely essential for some forms of transport, and the growing acceptance of the fact that motor transport has long borne an unfairly small portion of road expenses, is likely to aid in the passage of legislation along the line recommended.

France Stamps Fashions To Stop Counterfeiters

WHEREVER fashion is created there are copyists. The rue de la Paix and Fifth Avenue both know the style sketcher with surreptitious pad and pencil.

In Paris, where fashion is francs, this piracy is a very real menace. Not only are styles stolen: even the labels of the grandes maisons are faked and dresses counterfeited.

These great houses are not selling fabric and thread but fashion, and their originals command high prices. They have their own fashion police, but penalties light—if any—have not deterred the criminals.

Now the government, with Gallic appreciation of the fiscal importance of art, has stepped in, offered the use of government stamps to be affixed to all creations registered with the Bureau of Patents and Copyrights.

Original frocks and hats will carry the stamp on the label. To copy the fashion is one thing but to counterfeit the stamp is to go to the Bastille.

Business Abroad—Swift Survey Of the Week's Developments

Tone generally good despite continued industrial inactivity. . . . Many plans for international trade accords. . . . Germany upset by acute political situation. . . . Britain worried over strike threat, but encouraged by continued rise of commodity prices. . . . France considering "empire" economic conference. . . . Conditions in Japan less favorable. . . . Revolution continues in Brazil. . . . Financial optimism needs support of industrial revival.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—There is a new hopefulness in Europe this week, despite a number of unfavorable developments.

With the Ottawa conference out of the way, Britain, as well as the Continent, is beginning to anticipate further negotiations to break down the tariff barriers which have throttled trade almost to the vanishing point. French and American delegates are already negotiating in Paris for an agreement which will wipe out the cantankerous quota regulations in France and give French products a better chance on the American market.

The French are also anticipating the chance to discuss new trade opportunities with the British, now that they are free to go ahead with trade plans outside the empire. And very important, Paris is talking vaguely about a colonial economic conference modeled on Ottawa. Meanwhile, with credit completely controlled in 35 countries, barter deals are talked on all sides.

Least favorable development during the week was the increased tension in German politics and the fear that it may still bring disruption before difficulties can be ironed out. Business has not yet lost confidence that von Papen can maintain control, but the future is uncertain.

Commodities in Europe

Commodities indices on the Continent have failed to follow the upward trend which is continuing in London and New York. Stock markets, however, are reflecting some of the firmness from Wall Street. Bonds are irregular.

International News

BRAZIL'S DICTATOR—*Getulio Vargas (left), who last year seized the presidency in Brazil by a coup d'etat, discusses the present civil campaign against São Paulo rebels with one of his commanding officers. He bought bombing planes in the United States* *(page 27)*

The unexpectedly favorable reconstruction of the Swedish Match Co. has encouraged financial markets. On the other hand, the economic situation in Poland is reported to be increasingly less favorable. Rumors are again prevalent that the government is contemplating an increase in the country's fiduciary issue.

There is a growing tendency in Continental Europe to reduce the burden of agricultural debts by government fiat.

Germany

Business hopeful despite gloomy political outlook and lack of support from industrial indicators. . . . Stock prices firm, but bonds irregular on fear that government may decree another reduction in interest rates. . . . Berlin denies rumors of default on private debts.

BERLIN (*Cable*)—The German business outlook is still dominated by the continued political struggle between the von Papen government and the Nazis. The situation is extremely serious though business has not yet had its confidence shaken in the ability of the von Papen cabinet to maintain control.

The real test will come on Aug. 30 when the Reichstag reconvenes. This is the first session since the elections at the end of July. Almost surely there will be no agreement between parties to form a majority coalition. This means that the von Papen government cannot but receive a vote of "no confidence," after which it is expected that it will adjourn the Reichstag by presidential authority. This will leave the von Papen government in control but it will not greatly clear the situation, for Hitler's next move cannot yet be determined. Some authorities think he will attempt to seize power by a *coup d'etat*. Others are as certain that von Papen, backed by the able General von Schleicher, and the determined Hindenburg, are able to crush any rush by Hitler to take control of the government.

Political Tension

These are the problems that have made for uncertainty in the week just ended and which will prevent any confident moves ahead in the coming week. On the Boerse, stocks were firmer on local buying (though not at all buoyant as on Wall Street), but bonds were nervous due to rumors of another compulsory reduction in interest rates. No amount of clamoring from bankers and

from business men has convinced authorities of the Bank for International Settlements that they should allow the Reichsbank the right to reduce its discount rate from 5%.

Commodities are not following the upward trend now seemingly well established in the United States. Industrial improvement is almost insignificant and is very spotty. The steel industry is operating at only 30% of capacity but has had a slight pickup in orders in the last few weeks. The textile industry is getting a few fair orders for fall and winter business. The machine tool industry is a trifle more active and home orders for agricultural machinery showed a flicker of activity in August.

German Debt Problem

Recent rumors that Germany would be forced to call on her foreign private creditors for relief have been effectively denied in Berlin this week. Obviously, with the foreign trade balance dwindling and with no signs that trade barriers will be lowered this fall to allow German industry to compete effectively on foreign markets and earn the foreign exchange necessary to meet interest charges and maturities, something will have to be done eventually. Just now, the government evidently feels that it is not advisable to raise the issue. It is likely that it can not be put off much longer than November, when the American elections will be out of the way. In the interim, an international conference planned to ease tariff restrictions could improve the possibilities of Germany's meeting these obligations. Should the inflation policy in the United States and Great Britain spread it would also be a factor favoring Germany in the desperate effort being made to meet foreign obligations.

International News

GERMAN STRONG MAN—*General von Schleicher, real authority in the von Papen cabinet, explained recent emergency decrees to the German radio audience, assured business there would be no more political disorders*

France

French wheat prices rally on promise of government aid. . . . Only textiles report greater industrial activity. . . . French contemplate their own "empire" economic conference. . . . Extensive tariff negotiations likely.

PARIS (*Wireless*)—Conditions in France remain comparatively stable although an unusual spell of hot dry weather, coming just at the harvesting season, has considerably aided the gathering of the new wheat crop. Acreage this year is nearly 300,000 hectares greater than last and, with the exceptionally large crop being harvested, prices were temporarily forced down more than 40% within 2 weeks. The farmers, who make up 50% of the French electorate and who have been pretty well pampered by recent governments, are crying now at initial efforts of the Herriot government to cut the cost of living. High internal prices for farm products, protected by abnormal tariffs, may be on the way down, if not out. There is temporary rally on the wheat market this week because the government refuses to allow the farmer to suffer too precipitous a price decline.

Business generally has not been properly responsive to the stimulus which has come to commodity prices in the United States. The iron and steel industry is stagnant with no prospects yet for better fall business. Many plants have been forced to sell at cost prices to meet severe competition for the few orders which are being placed.

There has been some slight pickup in the coal region due to the continued labor unsettlement in the Belgian mines. The industry, however, is aware that this is only temporary relief.

Textiles, notably cotton and woolens, have enjoyed a slight revival in recent weeks. Motors and the rubber industries are especially slack.

France is relieved at the Ottawa results (page 5). Empire trade concessions will cut into some trade which France or the colonies may have enjoyed but they are neither so extensive nor so ironclad but that other countries will still have opportunities for bilateral agreements. In fact, there are rumors in Paris now that the French are contemplating the calling of an economic conference of all her colonies to attempt to negotiate closer trade agreements. Also, negotiations under way with representatives from the United States are aimed at ending the onerous quota restrictions which the French have set up and at reopening mutual trade channels now barred by the chauvinistic measures which have been taken by both the French and the Americans.

It is possible that Franco-British trade discussions may be initiated now that the Ottawa conference is ended and the British are free to bargain outside the family. The French are especially interested.

Great Britain

Tone good, but industrial indicators still low. . . . Securities active. . . . New international trade negotiations anticipated. . . . Textile strike greatest worry. . . . Commodities irregular.

LONDON (*Cable*)—Four main topics affected the British business outlook this week. Only one was purely domestic. Perhaps that is why it was the most commonly discussed.

Wall Street and the continuing recovery; Ottawa and the questionable

results to empire trade; and various developments in Europe, particularly the uncertain outlook in Germany—all influenced business thinking.

Domestically the tone is good, but actual business is slack. Perhaps that is an important reason for the special interest in the Wall Street boom. Trading was buoyant early in the week, and stock prices generally firm. American bonds were popular. Interest in German bonds is lagging.

After New Trade Pacts

London some time ago discounted the results of the Ottawa conference. Opinion of the value of the conference is conflicting. Generally, business is inclined to await full consideration of the new accords and the moves which may now be made by the government to go after other trade pacts outside the family (page 5).

The troubled state of Europe leaves England a little baffled. The imminent prospect of trouble in Germany would normally please British producers, who have to compete with present German under-cutting in such markets as that for coal, but trouble in Germany must have long reactions. There are quite enough artificial interruptions to inter-European trade without uncertainty and disturbance. The hope is that Hitler's bark may prove worse than his bite.

Textile Strike

Important as they are, the threat of a general strike in the textile industry is Britain's principal worry this week. The trouble began several months ago when several thousands of operatives struck against the new regulations introduced by individual employers, partly in connection with the more-looms system. The places of the strikers were filled. When negotiations were resumed, union representatives made re-instatement of the strikers a first condition to general discussion. If the strike goes through it will affect 500,000 operatives. Britain's textile industry would be tied up at a time when it is beginning to show some healthy signs of recovery.

Commodities Irregular

Commodities have been irregular this week. Cereal prices declined. Cotton was up. Sugar, coffee, and cocoa were all more active. Metals were easier, though the promise of protection for copper in the Ottawa agreement caused a bit of a stir in the trade.

Industry still shows no sign of recovery. Retail sales are holding steady. It was reported this week that the British subsidiary of Procter & Gamble is enlarging its plant.

One very encouraging report came out of the July statistics of industrial activity. Electric power production increased 2.6%, reached the highest figure for any July. When compared with last July, with proper allowance for a difference in the number of working days, output was up 8%.

Latin America

Brazil still disturbed by civil war; coffee shipments partly stopped. . . . Chile wants to barter nitrate for wheat; plans treasury issue for unemployment relief; sets date for constitutional elections. . . . Argentina may nationalize oil industry.

THERE was no significant improvement in the Latin American business outlook this week.

Brazil continues to focus interest. Civil war evidently is becoming a more serious matter. A number of bombing planes are reported to have been shipped from United States firms to Rio de Janeiro. Engagements with the rebels in the São Paulo area are meagerly reported. Santos is still blocked by the federals and coffee shipments are coming only from Rio (page 20). Observers doubt if the rebels can hold out after the middle of September, by which time army supplies from abroad should have reached the federal government.

It is perhaps significant that the Brazilian government has cut tariffs on cement, electric wire, copper cable, aluminum sheets, and jute thread by 50%, effective until Nov. 20. Also, bids on the electrification of the Brazil Central Railway will be received up to Sept. 30. German, French, British and American engineers are bidding.

Only 3 items from Chile were of business significance this week. Most important to Americans is the rumor that the government is planning to barter 40,000 tons of nitrate for 2½ million tons of Farm Board wheat. The government also has authorized the issue of $10 millions of treasury bills for the financing of emergency unemployment relief. And finally, it has been announced in Santiago that congressional elections will be held Oct. 30. The date for a presidential election will be set by the new congress.

Argentine Oil

From the Argentine has come the report, disconcerting to foreign investors, that the country is again contemplating nationalization of the oil industry (page 20). More than $200 millions of foreign capital are invested in various Argentine oil developments. Reactions to the results of the British empire conference at Ottawa (page 5) are being reserved until they are further interpreted from London.

Far East

Political situation increasingly tense. . . . Yen exchange at new low. . . . Japan's fiscal position not good. . . . China revives Japanese boycott.

THE spread to Japan of the small increases which have developed in commodity prices, and the continuation of the heavy export season during which the trade balance favors Japan have failed to hide important unfavorable factors which are significant to any appraisal of Oriental economic conditions.

Chinese merchants in Shanghai and Nanking are once more resorting to a boycott of Japanese goods. The movement was never really curbed in the populous Canton territory in South China. Officials are half-heartedly attempting to curb the movement and keep within the bounds of their promises to Japan when the Shanghai truce was signed last spring.

Obviously affecting the situation is the increasingly unfavorable outlook in Japan. The budget is not balanced. Farm relief, being considered now in a special session of the Diet, is likely to bring a further drain on the Treasury of more than $40 millions. Preparations are continuing for the subjugation of Manchuria but they require so many men and such heavy expenditures it is worrying Japanese Treasury officials. More important, Japanese control is proving to be extremely weak. The territory is too great and the population too overwhelmingly unfriendly.

Yen Depreciates

Yen exchange has dropped to a record low—nearly 55% below par. The export balance has been favorable the last 2 months but exporters are not converting into yen, and importers are beginning to buy heavily in anticipation of a further drop in exchange. Enforcement of the regulations regarding the flight of capital from the country, effective since July 1, has been successful in reducing speculative buying of foreign exchange. Shanghai, however, has consistently been converting yen to silver in recent weeks and has been an effective bear force.

The Bank of Japan has reduced the discount rate from 5.11% to 4.38%, lowest figure since the War.

The Figures of the Week And What They Mean

The continued hesitation of major industries to muster their resources for their own good may be modified by the conference called by the President this week. . . . Steel consumers outside of the small miscellaneous buyers apparently will not order a single ton of raw material unless immediate requirements make such orders absolutely necessary. . . . Much construction activity hinges upon the support of the Reconstruction Finance Corp. . . . Coal and carloadings made slight seasonal gains. . . . Electric power expansion has no industrial significance. . . . Residential building continues to decline, while other construction awards in early August were below the July average.

SINCE the major steel consumers, such as the automobile and railroad industries, are virtually out of the market at the present moment, steel activity is barely able to maintain the 14% of capacity level around which it has hovered during the first 3 weeks of August. Some seasonal buying by a number of miscellaneous steel consumers continues to appear, but the important tonnage consumers evidently prefer to be caught short of supplies when the turn comes rather than accumulate inventories, however low prices may be.

Iron Age reports a pickup in sales of pig iron in the Cleveland district, while elsewhere the interest in the ore has carried no further than an inquiry. Most of these inquiries are for fourth-quarter delivery. Few are willing to speculate as far ahead as the first quarter of 1933. And quotations are generally below production costs.

Railroad buying remains inconsequential, confined chiefly to track supplies and other items for immediate needs. Only emergency orders are in sight for rail producers, while repair work is expected on a small scale. So far only the Pennsylvania and Baltimore & Ohio railroads have stated their intention to borrow from the Reconstruction Finance Corp. for new equipment. Hope is expressed that the economic conference called for Aug. 26 may result in inducing further use of government funds and in stimulating employment.

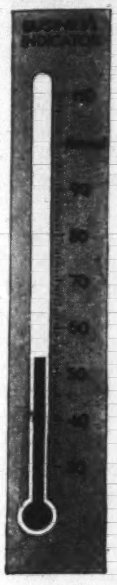
A number of construction projects continue to be held up for lack of financing arrangements. Structural steel lettings last week totaled 17,500 tons, the largest since June. Announcement that the U. S. Steel Corp. itself would undertake a $5-million replacement program is hoped to serve as an example to other industrial concerns to modernize their plants and to take advantage of prevailing low costs.

Automobile Figures

Employment at Detroit on Aug. 15 declined to 32.9 compared with 69.6 a month ago and 53.2 a year ago. The sharp slump reflects the closing of the Ford plants at Dearborn for inventory purposes and possible revamping of the Ford-8 to better withstand the severe tests to which it has been subjected. Ford sales in the first 6 months of 1932 numbered 114,475 passenger cars compared with 346,940 in 1931. Chevrolet

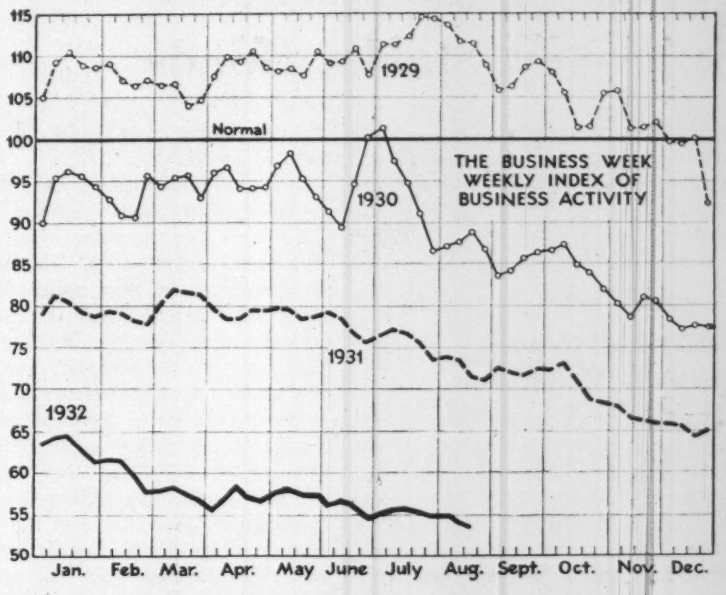
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*53.3	†54.4	71.4	.....
PRODUCTION				
Steel Ingot Operation (% of capacity)	14	14	32	64
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,784	$5,172	$10,295	$18,170
Bituminous Coal (daily average, 1,000 tons)	*783	744	1,165	1,439
Electric Power (millions K.W.H.)	1,432	1,415	1,643	1,608
TRADE				
Total Carloadings (daily average, 1,000 cars)	85	83	124	163
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	58	57	83	104
Check Payments (outside N. Y. City, millions)	$2,746	$2,518	$3,820	$5,140
Money in Circulation (daily average, millions)	$5,725	$5,725	$4,969	$4,766
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.47	$.49	$.44	$.98
Cotton (middling, New York, lb.)	$.078	$.074	$.069	$.154
Iron and Steel (STEEL composite, ton)	$29.26	$29.34	$31.04	$34.34
Copper (electrolytic, f.o.b. refinery, lb.)	$.052	$.052	$.073	$.126
All Commodities (Fisher's Index, 1926=100)	61.8	61.9	69.4	88.5
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,347	$2,363	$1,139	$1,210
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,580	$18,622	$22,001	$21,903
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,326	$6,349	$7,885	$8,692
Security Loans, Federal Reserve reporting member banks (millions)	$4,583	$4,609	$6,453	$7,048
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$344	$345	$1,343	$3,589
Stock Prices (average 100 stocks, Herald-Tribune)	$87.86	$85.73	$117.21	$155.35
Bond Prices (Dow, Jones, average 40 bonds)	$82.12	$79.26	$92.76	$95.14
Interest Rates—Call Loans (daily average, renewal)	2%	2%	1.5%	4.2%
Interest Rates—Prime Commercial Paper (4-6 months)	2-2½%	2-2½%	2%	4.1%
Business Failures (Dun, number)	648	650	444	410

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



is credited with 215,811 against 362,962 in the same period of 1931. July registrations in 31 states declined nearly 34% from the June level. Chevrolet claims some improvement in sales for the first 10 days of August.

The low level of motor production is expected to continue into September and October, when a number of plants will commence operations on new models. Changes in tooling are not expected to be extensive. Engineers are studying the possibilities of making good use of the present equipment. At present the Youngstown district is using only 10 operating units out of a total of 83, reflecting the meager buying of the motor industry.

Construction Declining

August construction activity in the 37 states reporting to F. W. Dodge shows about the decline anticipated. Total contracts awarded were valued at $55.3 millions, a 17.3% decline from the daily average of July and 52.5% below a year ago. Residential construction continues to shrink. During the first 13 business days of August only $8.8 millions of awards were reported. This volume is 14.2% below the July rate, and 70.7 below 1931.

Non-residential construction took the most severe drop from the July level. This group had shown a 28% increase in July over June. Contracts worth $19 millions were let the first half of August, 25% under the daily average of the preceding month.

Public works and utilities sagged the least, and were the most important in volume. Awards aggregated $27.4 millions, equal to an 11.9% decline from the July average, and 25% below 1931.

The adjusted index for the period ending Aug. 6 declined to 28% of normal for total construction awards, followed by a 2 point drop the following week. F. W. Dodge Corp. appears more hopeful concerning the prospects for the full year 1932, anticipating that the decline will not be as severe as during the first 7 months, when a 68% decline was recorded.

Coal Production

Bituminous coal production is slowly turning upward in response to mild seasonal demand. The adjusted index for the week ended Aug. 13 stands at 38% of normal. Stocks of bituminous coal in the hands of commercial consumers and retailers on July 1 reflect the steady inroads made upon reserve supplies. Tonnage on hand has shrunk 12.6% since Apr. 1. Retail stocks of bituminous coal were 27% below a year ago, while anthracite stocks were 41% below a year ago.

The slight upturn in the output of electric power for the week ended Aug. 20 occurred chiefly in the Atlantic seaboard section and is attributed to rainy weather rather than to any quickening of industrial activity. The adjusted index remains unchanged at 69%.

The week ended Aug. 13 brought a gratifying increase in the number of freight car loadings, which is hoped will be only the beginning of the fall rise that usually makes rapid strides in August. The index based on miscellaneous and less than carload freight remains unchanged at 48% of normal. In the meantime, roads are looking to ways and means of meeting coming maturities from other sources than freight revenue. The Baltimore & Ohio is seeking more than $32.6 millions from the Reconstruction Finance Corp. to apply in part payment of bonds due in 1933.

Check payments during the week Aug. 17 showed larger gains in the financial centers outside of New York than in the bulk of smaller towns, or in New York City. The index based on the past 2 weeks, which were among the lowest of the year, declined to 61%.

Bank closings during the week Aug. 18 numbered only 16, and were chiefly centered in the Middle Western states. August closings now number 49 against 132 in July. Postal savings continue to show gains, the increase during July being $49.6 millions against a $42.8 million gain in June and a 7 months' average of $32.9 millions.

Commodity Prices

Commodity prices have fluctuated narrowly in the past week, and though some wavering has occurred from the levels of mid-August, the general list continues to display strength. Wheat and corn are noticeable exceptions.

The textile fibers, cotton, wool, silk, and rayon made marked advances. Most non-ferrous metals were steady, with lead prices slightly higher. Rubber, coffee, cocoa, hides continued firm. Sheet steel was subject to some slicing, but scrap steel is gaining strength.

Trends of the Markets In Money, Stocks, Bonds

Though strengthened by security gains and Reserve policy, banks still lag in credit expansion. . .. Loan liquidation continues. . . . Stocks push upward, though more slowly. . . . Bonds show slight hesitancy after long rally.

Banks Fail to Join In Credit Expansion

THE week brought no evidence of bank credit expansion. Under these circumstances it is becoming increasingly clear that the present speculative movements, both in securities and in commodities, are being financed by private money and government funds. Probably the dominant monetary question at the present time is whether expansionary efforts by the government can substitute for bank credit expansion and, if so, whether they can do so safely.

The effort to put government funds to work now centers on the activities of the Reconstruction Finance Corp. and its corollary agencies. A little later on the new Home Loan Banks will be participating in it.

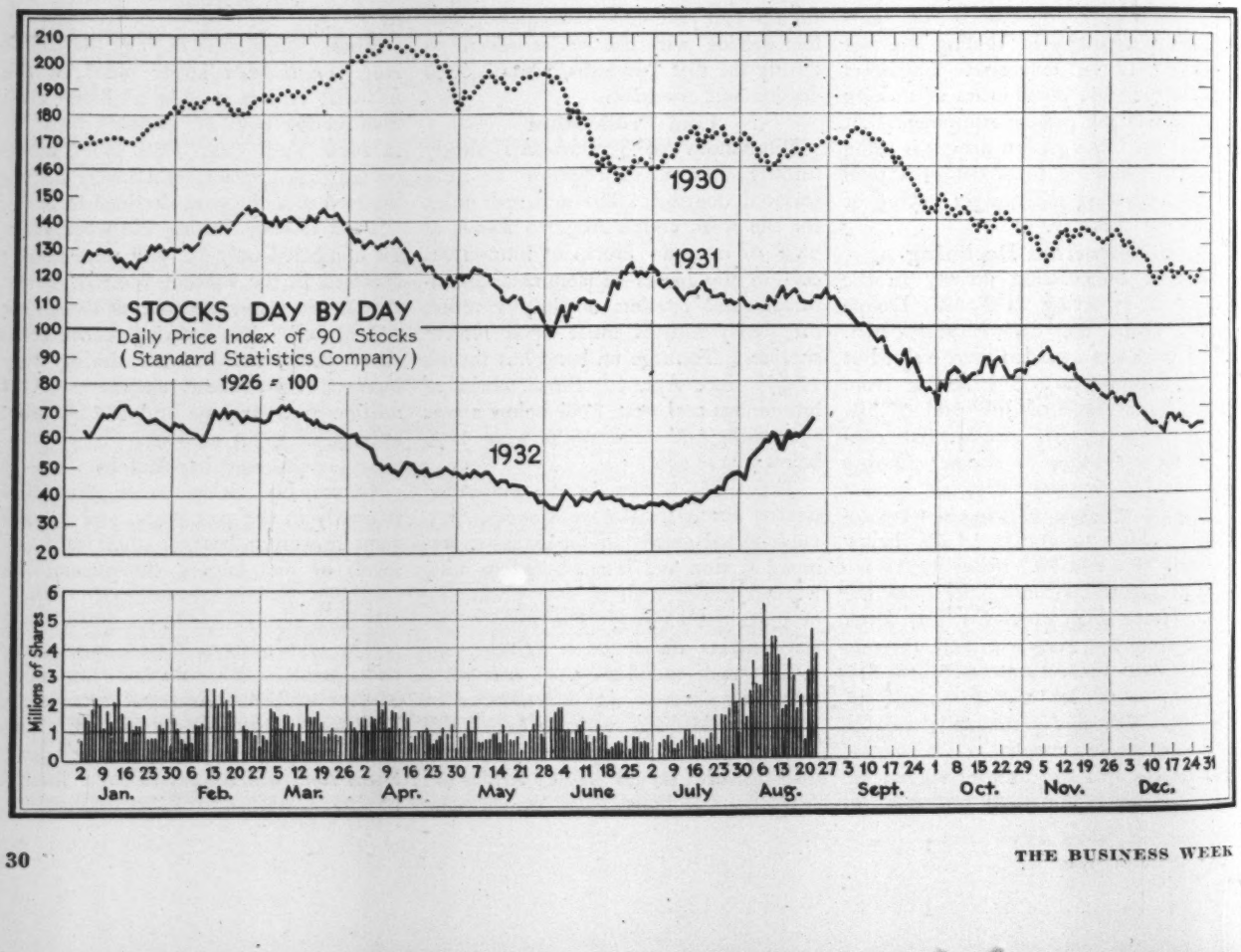
Pressure from these sources was preceded by that exerted by the Federal Reserve in its prosecution of an aggressive open-market policy. This was discontinued, or at least suspended, this week since it had largely accomplished its purposes. True, the Reserve's bond purchases which pumped money into the banks failed to encourage or force these institutions to put that money to work by expanding credit. But the strength of the liquidation movement has been broken, a large excess of funds has been made available to the government, and gold withdrawals have been met. At the same time, the results of the Reserve policy have been largely duplicated by the effect of the return flow of gold to the United States from aboard.

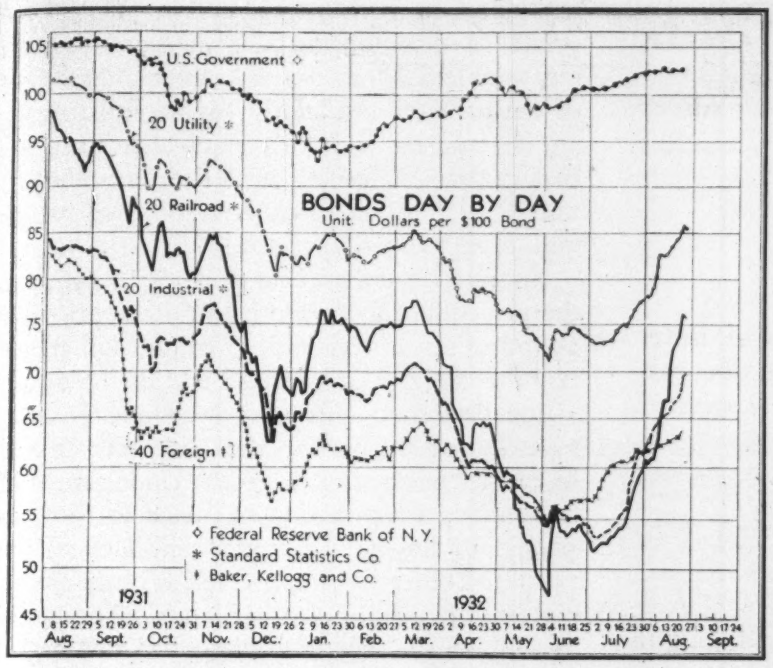
Total loans and investment of weekly reporting member banks continued to decline this week in both New York City and outside banks, due to further loan liquidation. Loans of all these banks have now fallen off by more than $2 billions since the beginning of the year, while (as of Aug. 17) their investments show a gain of nearly $400 millions since Jan. 1.

The marked decrease in bank suspensions shows no setbacks. There were only 16 closings during the week, almost wholly in the Middle West, according to the *American Banker*.

In the money market itself, the week brought no important changes. Rates remained essentially unchanged and the sale of Treasury bills at the interest rate of 0.41% was evidence of the large amount of available funds. Foreign exchanges were irregular and apparently were affected by foreign operations in the securities markets. The Japanese yen, suffering lack of confidence both at home and abroad, dropped to a new low.

Two interesting monetary items of the week were the arrival in this country of Montagu Norman, governor of the Bank of England, and the publication of information on Reconstruction Finance Corp. loans for the period July 21–July 30. Interpretation of these events is impossible as yet. Controversy is strong as to whether banks will be adversely affected by broadcasting their need for help. The usual mystery sur-




BONDS DAY BY DAY
Unit Dollars per $100 Bond
U.S. Government ◇
20 Utility *
20 Railroad *
20 Industrial *
40 Foreign †
◇ Federal Reserve Bank of N.Y.
* Standard Statistics Co.
† Baker, Kellogg and Co.
1931
1932
Aug. Sept. Oct. Nov. Dec. Jan. Feb. Mar. Apr. May June July Aug. Sept.

rounds Governor Norman's visit, but, as always, it is being watched very closely for important developments, such as have frequently followed his travels in this country.

Long Bond Rally Has Changed the Picture

AFTER the long and somewhat puzzling recovery in prices, the bond market betrayed slight hesitation this week. Still largely unsupported by bank or other institutional buying, the recovery resulting from individual and foreign purchases showed signs of needing better backing.

Nevertheless, sufficient strength continued to encourage more new issues to try their luck though new issues of a productive nature are still to be heard from. Thus far the bond recovery has brought out only refunding issues which simply improve the position of the banks.

The federal government, like private business, is watching the pick-up in bonds, with the idea of taking advantage of it. A $1-billion Treasury issue to fund some of the enormous amount of short-term debt now outstanding is looked for on Sept. 15.

Though bond prices hesitated after the long rally this week, much good has already been accomplished by the recovery. Banking position has been markedly strengthened; other institutions have likewise benefited. With pressure upon these relieved on the one side by the flow of government money and on the other by a rising bond market, distress liquidation should be well curtailed hereafter. This has led observers to hold a much more optimistic attitude toward the present level of bond prices than toward that of stock prices.

Wall St. Thinks Stocks May Have to Slow Up

STOCKS showed further speculative strength during the week, but had difficulty in sustaining their gains. New highs were reached in the movement but the market was highly volatile and wide swings prevailed.

Key business indicators still failed to back up the extensive rally that has occurred since mid-July. Some of the important ones—automobile production, construction activity—registered recessions.

These facts, coupled with the increasing difficulty which stocks are showing in holding progress on the upside, are leading an increasing number of Wall Streeters to believe that the market is making a top for the present movement. There is a general feeling that, while a salutary lift from the recent panic lows was to be expected, perhaps things have been moving a little too fast. This view is further strengthened by the opinion that most of the anticipated good news is now out.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

August 31, 1932

Not So Fast!

EVERYONE is rejoicing in the signs of better times. Wall street has been making whoopee, 1929 style. The newspapers, as if by concerted arrangement, scour the country for encouraging items and make first page news of the reopening of a button factory employing 15 men.

We should be less than human did not we sympathize with this rejoicing. Moreover, we think it is important and helpful to emphasize that which is legitimately cheerful in the news of the business world. Just as blind exuberance went too far in the boom, so did pessimism sink to depths, a few weeks back, that not even the dismal facts warranted. To cure this black melancholia which was paralyzing business initiative was a salutary thing.

But now that the patient is on the mend, now that he has been reimbued with that spark which is more important than all medicine, the will to live, it is perhaps wiser and kinder to tell him that he is not going to be out of bed tomorrow, nor the day after. Prosperity is not just around the corner. It is at the end of a long, dusty, stony road which we must trudge grimly, uphill and down, for many a long month.

What gave the signal that released our courage? Was it not Lausanne? That very fact should remind us that Lausanne was encouraging not for what it accomplished, but for what it promised.

Lausanne was only the preliminary for a world conference to be held this winter, in which all nations will endeavor together to undo some of the mischief they have wrought by their mixture of blindness, jealousy, and stupidity.

Consider what this conference must undertake to do. It is to deal with "monetary and credit policy; exchange difficulties, the level of prices, the movement of capital, improved conditions of production and interchange, with particular reference to tariff policy."

The question of prices is the most important question in the world today. Unless the prices of commodities can be raised within measurable distance of the levels of 1928, most of the debts of the world, public and private, are insupportable. This is equivalent to saying that commodity prices must rise, or well-nigh universal debt repudiation take place, which will delay recovery for years.

The nations of the world, once they agree upon the principle, can do much to restore prices by adopting severally banking, credit, and monetary policies working toward the one objective.

Supplementing this must be effective efforts to tear down the barriers that have been erected to restrict international trade. Under stress of hard times, every nation has tried to force its people to buy as little as possible from the people of other nations, and sell as much as possible to the people of other lands. The policy is silly, on the face of it, yet when one nation begins the game, the rest must join, or be trampled. It takes only one nation to start the game, but it will take a general agreement to bring it to an end.

This, the most crucial conference that has ever met to cure the world's economic ills, will not be a complete success. But even partial success will be vastly important. It will be a world tragedy if the United States does not cooperate to the full.

Along this route runs the long road to recovery. We can have—indeed, we are having—improvement, without dealing with the fundamental causes of our ills. But we cannot have real prosperity. And if we bear in mind that everything is not going to be all right in a few months, that while things will be better the old days are not coming back in a hurry—why, then, we shall not burst into childish tears of renewed discouragement when the stock market decides one of these days that it has been going ahead too fast.

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IF Grace had been lazy... or always late . . . or indifferent . . . this story wouldn't be necessary to tell.

But she wasn't. Grace worked hard. She was intelligent. She took dictation fast and accurately.

But like every other girl who works quickly to turn out letters on time—occasionally she hit the wrong key, or misspelled a word.

Unfortunately, the kind of paper Grace had to work with just wouldn't stand erasures. So always it was a question—"Will this letter 'get by,' or must I type it all over again?"

And so through no fault of her own—her work was either late or lacking in neatness.

* * *

The business world is full of hard-working stenographers struggling against similar odds. Simply because some one "up front" has never paid much attention to "such little things as erasability in the paper we use."

But since the introduction of New Hammermill Bond the condition is rapidly changing. Because not only does New Hammermill Bond erase neatly, it's *whiter* than other papers, it's *smoother*, easier and faster to write on, it has that snap, crackle and "feel" that command respect. And yet Hammermill Bond's new "premium quality" costs no more than ordinary paper.

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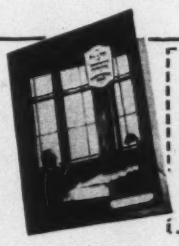

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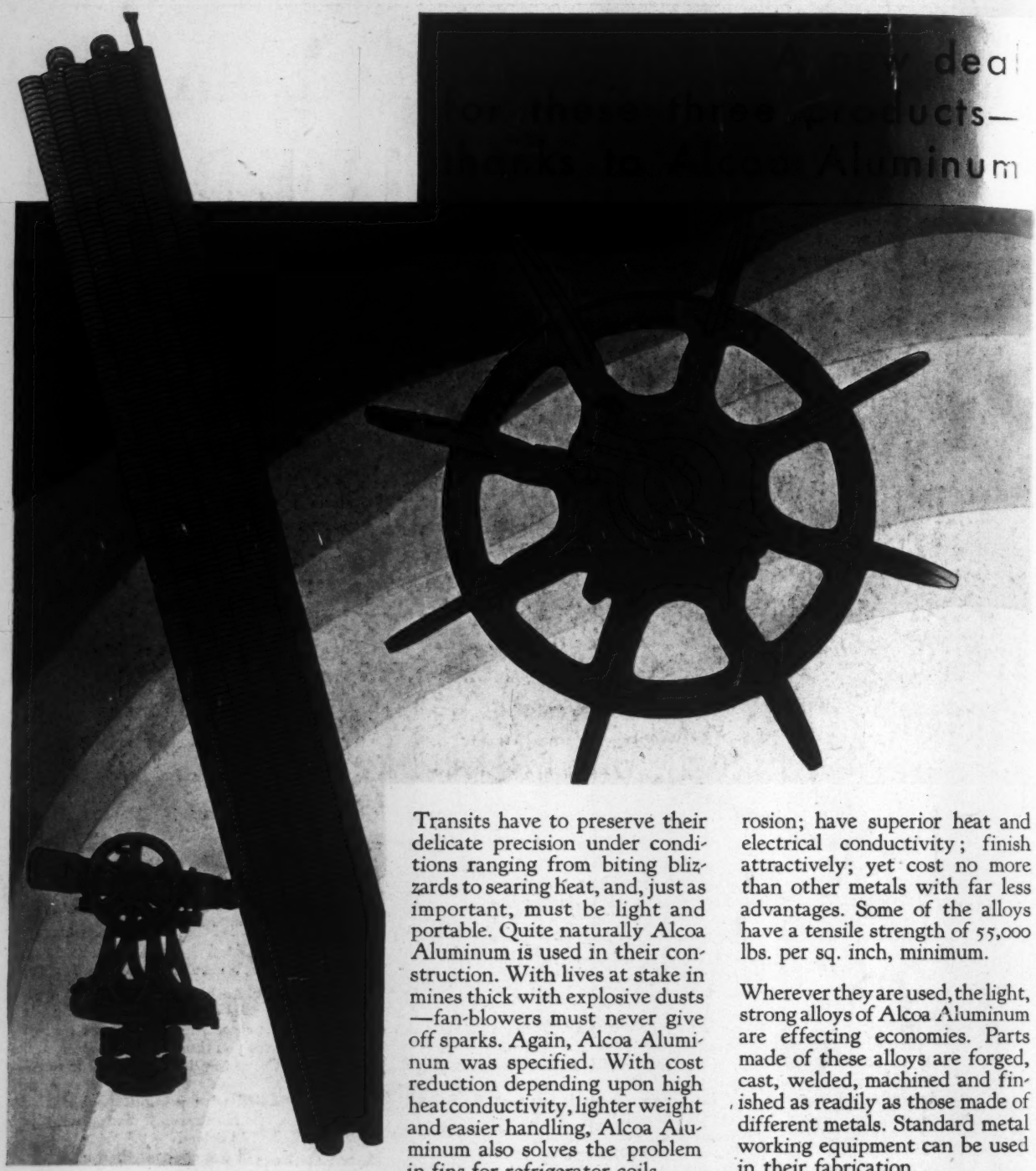

Transits have to preserve their delicate precision under conditions ranging from biting blizzards to searing heat, and, just as important, must be light and portable. Quite naturally Alcoa Aluminum is used in their construction. With lives at stake in mines thick with explosive dusts —fan-blowers must never give off sparks. Again, Alcoa Aluminum was specified. With cost reduction depending upon high heat conductivity, lighter weight and easier handling, Alcoa Aluminum also solves the problem in fins for refrigerator coils.

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